



# Oil & Gas Authority

## Minutes of OGA Board meeting on 23 July 2015 Atholl House, Aberdeen

### Attendees:

Sir Patrick Brown	Chairman
Andy Samuel	Chief Executive
John Ogden	Chief Financial Officer
Stefanie Murphy, DECC	Sponsor Director's representative
Gunther Newcombe (guest)	Director Exploration and Production
Hedvig Ljungerud (guest)	Director Policy, Performance and Economics
Craig Watson (guest)	Implementation team
John Brown (guest)	DECC Director of IT, Infrastructure and Information Services
Eva Zuckschwerdt	PS to Andy Samuel
Fiona Gruber	Board secretary

### Introductions

The Chairman welcomed Stefanie Murphy, Gunther Newcombe, Hedvig Ljungerud, Craig Watson and John Brown to the meeting.

### Minutes of July meeting

The minutes of the 8 July meeting, having previously been circulated to the Board, were amended to reflect one small change and approved by the Board. Progress of outstanding actions was discussed and is recorded in the action log. In discussion the Chief Executive stressed the importance of keeping internal audit work well structured, confirmed that the new OGA consolidated risk register would replace the previous register, and emphasised the importance of finalising the framework of delegated approvals next week.

### Director's presentation

The Director of Exploration and Production (E&P) presented an overview of his plans for rejuvenating exploration, emphasising the scale of the task and the importance of making rapid progress. He paid tribute to Glen Cayley's achievement in procuring and launching the seismic survey in record time. Survey data will be shared with industry and metrics will be put in place to monitor uptake of blocks and commitments. The Board agreed that it would be important for the OGA to be able to demonstrate the value added by the survey programme.

He outlined plans for the OGA to release seismic data to the industry much earlier and for it to take charge of releasing well data. The Chief Information Officer, when in post, would have the skills to enhance the way the data are used. The Director of E&P confirmed that his proposals for early data release would depend on Energy Bill clauses and that regulations would need to be drafted.

**Action:** Board secretary to speak to Angela Seeney regarding the drafting of data release regulations.

Gunther underlined the need for prospects to be assured more systematically and rigorously to create the right conditions for drilling. The Chairman cautioned that it would be important for areas of interest to be clearly defined.

Gunther sought the Board's views on taking a new approach to licensing rounds. He feels that 90 days' notice is not sufficient for companies to properly prepare and to get the right people in place. He is considering pre-announcing areas, giving companies more time to prepare, i.e. whilst strategic environmental assessment are carried out. The Board agreed that this would send a strong signal



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that the OGA was a good regulator. It further agreed that it would be sensible for Andy to raise it in his speech at Offshore Europe. Gunther made clear that the terms and conditions for licensing blocks would be reviewed if this approach was taken and that a three year licensing plan would also be helpful.

## **Accommodation update**

John Brown, Head of DECC Estates joined the meeting by phone for this item.

Craig Watson updated the Board on the status of accommodation in Aberdeen and London.

Aberdeen - The Chief Executive has approved the detailed design, which has now been locked in. Three companies have tendered for the fit out work and the contract will be awarded on 27 July. The OGA team continues to review costs and quality carefully to identify further cost savings, as the project remains over budget. Andy reassured the Board that E.C. Harris has nominated a named project manager who will be accountable for the duration of the project, and who will be expected to escalate problems quickly. John Brown said that he would be ready to escalate problems to the Department for Education (DfE) - lead 'cluster' department, which manages relationship with E.C. Harris - where necessary. He is meeting Andy Mills, Head of DfE Estates, next week. The Chairman suggested using private sector benchmarks for, e.g. audio visual costs, in addition to government ones. A revised cost estimate would be available on 10 August, after the contract had been awarded and the detailed design fully costed.

## London

There is no suitable accommodation within the government estate. The BIS option is not acceptable as the tenure is too short. The preferred option which emerged from the initial search of commercial properties in London (County Hall) is no longer an option as the landlord wishes only to let whole floors (the OGA would require only part of a floor). GVA Grimley has been commissioned to undertake a further commercial search.

In the short term, the OGA wishes to remain at King's Buildings, but within a smaller footprint than currently leased by DECC. The OGA is awaiting a decision from TfL (DECC's landlord) on two proposed options. The Board was concerned that continued uncertainty would leave DECC committed to paying £90k a month for King's Buildings after DECC staff return to 3 Whitehall Place at the end of September. John Brown is likewise concerned and undertook to chase TfL for any early response. He confirmed that DECC had not yet given six months' notice on the three/four floors at King's Buildings so as not to adversely impact the OGA, but would want to make that decision within a month. The Board agreed that the OGA should press on quickly with the commercial search. John Brown is hoping for a positive response from TfL but indicated that, following the spending review, there would be space for the OGA in the core DECC buildings. The Chairman made clear, however, that, as an independent body, he would not be comfortable for the OGA to be located within a DECC building. The Chairman offered to intervene with any party if it were helpful to expedite matters. John Brown will raise any matters which need to be escalated when he meets Andy Mills next week.

**Action:** Chief Financial Officer to summarise key points to be escalated by John Brown.

## **Managed services requirements**

Craig Watson summarised the OGA's approach to assessing its managed services (HR and finance) needs, with a focus on learning from other government companies (particularly the Low Carbon Contracts Company), understanding the correct procurement channels to tender for services, and achieving the best quality and value for money. Moving to DECC's new finance operating platform would establish the OGA as a single finance entity and would help the transition to GovCo. Craig will present a proposal to the leadership team on 10 August. He is taking a similar approach to assessing desktop IT service needs, working closely with the Head of IT. The Chairman suggested that in the longer term it would be preferable for the OGA to have a secure interface with DECC/government and a separate, less restricted interface with industry. The Director of Technology, Supply Chain and Decommissioning is reviewing whether DECC Shares is the correct record management solution for the OGA.



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The Board stressed that the OGA must have fit for purpose services - smart and simple - and cautioned against being channelled into procuring services from DECC if they are not appropriate, but also against changing provider for the sake of it. The Board agreed with the approach as presented and underlined the need to proceed quickly.

**Action:** Chief Executive to follow up with the Director of Technology, Supply Chain and Decommissioning on the OGA's preferred information management system.

## **OGA DECC services**

Hedvig Ljungerud joined the meeting by telephone for this item.

The OGA is in the process of agreeing MoUs with key government partners which will formalise its needs and asks of each. Agreeing the detail of the relationship with DECC is a priority and Craig presented his overview of current services which are provided between the OGA and DECC. The Board agreed that the framework was clear and was in broad agreement with the paper's recommendations but thought that DECC was providing more than had been captured and that the OGA was doing too much on resilience. Greater clarity on drafting PQs and regulations would be helpful but the Board agreed that the OGA would be pragmatic, particularly with regard to drafting detailed technical regulations, and would apply a principle of efficiency, with whoever is best placed responding.

Regarding other MoUs, the OGA has agreed terms with the FCO on the OGA's provision of advice on the Falkland Islands. This will be documented by the FCO and captured on the new OGA management system.

## **Finance update**

The Chief Financial Officer presented the Q1 financial report, with income and expenditure largely on budget. He confirmed that there will be one OGA point of contact for invoicing and collecting the levy.

The Board noted that there had been misunderstandings between DECC and the OGA on the treatment of the different OGA sources of funding. Substantial changes in the 2015-16 levy numbers in the last period resulted from apparent policy changes since March 2015 as to which funding should be spent first. The Board agreed that this was a transitional problem which would fall away when the levy was introduced, and that it was important now to clarify the rules and maintain an efficient working relationship.

The Board was content with the format of the finance report but agreed that some additional narrative would be helpful.

**Actions:** Chairman and Chief Financial Officer to look into the OGA's relationship with DECC finance and establish better ways of working. Chief Financial Officer to provide clarity on the way government funding feeds into the OGA.

## **Chief Executive's report**

The Chief Executive confirmed that the format of the monthly performance report has been simplified and standardised and will be ready to share with the sponsor team from next month. Good progress has been made defining KPIs, ensuring that the correct ones, particularly on sector strategies, are included.

A management system is now in place, which will be crucial for recording what the OGA agrees, how things get done and the reports the OGA produces. Defining who does what is a priority: staff will be urged to update their directory details and a detailed organisation chart with photos is being updated. Andy will write to OGA staff to clarify working relationships between the OGA and DECC/the Sponsor team, to establish 'clear blue water' between the two. Interfaces with industry have been mapped and will be further clarified if needed.



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The Chief Executive expressed concern that the OGA runs the risk of going too fast and doing too much and stressed the need to prioritise and establish a stable plan of attack so the organisation can work efficiently. He is asking each Director to slow down and to spend time writing forward plans.

He briefly updated the Board on the impact of the Dunlin decommissioning and confirmed that Angela Seeney had produced a phase 1 decommissioning report which HM Treasury found very helpful. Field development plans (FDP), particularly the three year forward look, are showing some good activity, including MER compliant activity. Andy encouraged the Board and the Sponsor team to take a closer look at the forward FDP plan.

No health and safety incidents were reported in July. One member of staff is taking legal action against DECC regarding an incident which pre-dated the establishment of the OGA. The most significant current H&S risk is the seismic survey but, having attended a safety induction and risk workshop on the first (of three) boats, Andy is reassured that the contractor takes safety seriously and has put in place hazard monitoring procedures. H&S awareness in the OGA is improving and the Chief Executive stressed that it was important for the leadership team to continue to take the lead in demonstrating H&S awareness.

The Chief Executive briefly summarised the likely impact of the Iran nuclear deal and a potential Greek exit from the Euro on oil prices. While Brent fell initially following the Iran nuclear agreement, there are differing views on the time needed for Iranian production to pick up. However the impact will be substantial. The biggest risk from a potential Greek exit from the Euro is a fear of contagion, with some analysts estimating a \$5-15 impact on oil prices. The bearish outlook on the oil price has precipitated concern in the industry and Andy has asked the Director of Policy Performance and Economics to keep a watch on the potential need for further fiscal reform, given that the oil price environment has changed dramatically since previous measures were introduced. The Chief Executive conceded that there are no easy answers but that it was important to stay close to industry. OGUK is supporting industry by redefining governance on cost and efficiency and compiling case studies to illustrate this.

## **Sponsor's report**

The Sponsor Director's delegate, Stef Murphy, confirmed that the Energy Bill had its second reading in the House of Lords on 22 July. The OGA clauses have generally been well received, with good support for the new powers. Some were cautious about the pace of the Bill's progress; others questioned its rationale now that the oil price had fallen so far; and some asked if the OGA should have a bigger role on Carbon Capture and Storage (CCS). The Wood Review team has lines on this (CCS will be part of the technology and decommissioning strategies) which it will share. The Bill is scheduled to reach Committee stage on 7 September and DECC and the OGA will prepare common lines.

**Action:** Stefanie Murphy to share the team's lines on CCS.

Ministers and Cabinet Office have yet to decide on the non-executive director appointment but are expected to do so before the 10 August Nominations committee.

The Wood Review team has commented on the format and timescale of the OGA's draft five year Corporate Plan. There was general agreement that the Plan should be simple and clear. An initial OGA meeting to flesh out priorities, actions, timescales and costs for the Plan would follow the Board meeting, before a further draft outline was shared.

The Sponsor team is now in place and will assess the way it works when it has a clearer picture of its workload and information flows. The Board noted that its structure seemed rather governance heavy and risked overburdening the OGA governance manager's focus on internal OGA matters.



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There was some concern that, despite clear communication of the new interfaces between DECC and the OGA, the volume of requests had remained high. The Board noted that relationships between the OGA and DECC were generally good, although there were sometimes tensions, which was inevitable. All agreed that interfaces with industry may also need further clarification.

The impact assessment for the OGA Energy Bill clauses has been rated green by the Regulatory Policy Committee. The Board noted that, with the spending review on the horizon, both DECC and the OGA should continue to demonstrate value for money.

## **Cabinet Office controls**

The Board considered recommendations to seek exemptions from specific Cabinet Office (CO) controls and agreed that the OGA should not ask for exemptions it does not need. The Board did not think that the OGA needed to seek an exemption for advertising spend but supported the proposal to seek an exemption for technical consultancy, to ensure the OGA is able to procure appropriate advice and skills. An exemption from digital controls will also be important so that the OGA website meets the needs of industry and licencees. The Sponsor team and the Shareholder Executive could advise on the most effective arguments to use to obtain exemptions. The Board asked the Board Secretary to clarify whether the controls on redundancy and compensation would apply to the OGA.

**Action:** Board secretary to clarify whether CO controls on redundancy and compensation controls apply to the OGA.

## **Future meetings/topics**

The Director of Technology, Supply Chain and Decommissioning will present in September and the Director of Policy Performance and Economics in October. EU legislation will be the horizon scanning item in September.

## **AOB**

The Chairman proposed holding the first Audit and Risk Committee in September, providing the Audit Chairman had been appointed by DECC. He confirmed that the Board Secretary had drafted an induction programme for incoming non- executive Directors.

**Action:** Board secretary to circulate the induction programme with the Board.

The Board agreed that the OGA should clarify whether it needs to secure slots on the No 10 grid for press announcements.

**Action:** Stef Murphy to explore whether the OGA needs to secure slots on the No 10 grid.

The Chairman made clear that he expected Board members to attend future Board meetings in person: if a Board member is not at the Board table, they are not there.

**Board Secretary**  
**July 2015**