North Sea Transition Authority
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SANCTION NOTICE

To:	**Chrysaor North Sea Limited** **Company Number: 00958880**
Addresses:	**151 Buckingham Palace Road** **London** **SW1W 9SZ**
Date:	**21 July 2025**

1. SANCTION NOTICE

1.1. This Sanction Notice is given to Chrysaor North Sea Limited ("**Chrysaor**") pursuant to section 42 of the Energy Act 2016 (the "**2016 Act**").

1.2. For the reasons given in this Sanction Notice, the North Sea Transition Authority ("**NSTA**")[1] gives a Sanction Notice to Chrysaor for its failure to comply with a petroleum-related requirement and a Financial Penalty Notice which imposes on Chrysaor a financial penalty of **£150,000** (**one-hundred and fifty thousand pounds**).

2. SUMMARY OF FACTS

2.1. This Sanction Notice relates to Chrysaor exceeding by 145.566 tonnes the consent granted to it by the NSTA to release natural gas unignited into the atmosphere in connection with activities it carried out under petroleum licences issued for the Hawkins, Fleming, Drake, Maria and Seymour fields ("**the Fields**"). The exceedance occurred in relation to the annual vent consent granted to Chrysaor for the Fields for the period from **1 January 2022** to **31 December 2022** (the "**Consent**"). The consent was breached on **27 October 2022.**

[1] The North Sea Transition Authority is the business name for the Oil and Gas Authority, a limited company registered in England and Wales with registered number 09666504 and VAT registered number 249433979. Our registered office is at 50 Broadway, London, SW1H 0DB.

3. BACKGROUND

3.1 On **2 November 2020**, Premier Oil PLC agreed to acquire the entire issued share capital of Chrysaor Holdings Limited (which includes Chrysaor and Chrysaor Limited). The merger completed on **31 March 2021** and Premier Oil PLC changed its name to Harbour Energy PLC ("**Harbour**"). Chrysaor (which is now part of Harbour) remained the Operator of the Fields.

3.2 The Consent allowed for 0.615 tonnes per day (amounting to a cumulative limit of 224.48 tonnes for the 365-day period **1 January 2022** to **31 December 2022**). The Fields are all tied back into the Armada processing hub ("**Armada**"). The Consent was issued on **7 December 2021** in relation to licences P66, P110, P355, P356 and P591.

3.3 On **24 May 2023,** Chrysaor, of its own accord, emailed the NSTA to inform it that the Consent had been exceeded. The data supplied by Chrysaor shows that the Consent was exceeded on **27 October 2022**.

3.4 On **30 May 2023**, in a stewardship meeting with the NSTA, Chrysaor provided the following reasons for the exceedance:

> "*High winds occurring at the end of October 2022 resulted in the flare being extinguished and an inability to relight the flare, this resulted in approximately 90 tonnes of gas being vented. In November 2022, the flare was extinguished following depressurisation of the process, and again there was a delay in relighting due to weather conditions, which resulted in approximately 120 tonnes of gas being vented.*"

3.5 On **7 June 2023**, Chrysaor informed the NSTA that the actual amount vented for the period from **1 January 2022** to **31 December 2022** was 370.046 tonnes. Chrysaor exceeded the Consent by 145.566 tonnes.

3.6 Chrysaor has stated to the NSTA that it identified the exceedance due to having to submit a revised consent for licence P591 which expired on **3 June 2023**. However, the Consent had expired in December 2022, some six months earlier. As part of the application process for the new consent, Chrysaor was required to provide historic data covering the 2022 period and it was at this stage that it was realised that the actual figures for venting in 2022 exceeded the amount consented for that period. This led Chrysaor to report the exceedance to the NSTA.

3.7 In its letter to the NSTA dated **4 January 2024**, Chrysaor provided further details on the cause of the Consent exceedance:

a. In **January 2022**, there had been one vent event which was caused by an unplanned shut-in.

b. In **August 2022**, there had been a further venting event after the start-up from a shutdown.

c. As at the end of **September 2022** the Armada field had remained below its annual average consented venting amounts for the year.

d. On **27 October 2022**, high winds caused the flare on the Armada platform to extinguish with the operator being unable to relight the flare for three days with 86.186 tonnes of gas being vented during this period.

e. On **7 November 2022**, the flare was extinguished due to a depressurisation of the process and there was a delay in relighting the flare due to the weather conditions at the time. This further venting continued for three days and led to a further 118.590 tonnes being vented.

3.8 Chrysaor has stated that it has taken the following steps to prevent future exceedances of its flare and vent consents:

a. Procedure and awareness training has been completed at operating centre level to ensure consistency across Chrysaor assets when capturing flare and vent quantity and categorisation data.

b. Identified accountability for increased priority and focus on updates to the spreadsheet for the capture, verification and processing of the data.

c. Visualisation and narrative of the vent consent status with presentation to asset management at the monthly business performance reviews.

d. One team managing the consents process and working with operating centres and the environmental team to ensure accurate data is reported and there is an understanding of what is required.

e. The continued development of integration of flare and vent categorisation into its allocation system.

f. Applying for consents in future that take into account both planned and unplanned events when identifying the volumes sought.

3.9 Chrysaor has stated that it:

> *"…understands the importance of controls on flaring and venting in the UKCS in order for the UK to reduce emissions and meet its net zero targets. Harbour Energy has demonstrated this through continuing to work on the Emissions Reduction Action Plans (ERAP) and the Flaring and Venting Management Plan for its operated assets. Harbour Energy updated its Flaring and Venting Standard on March 2023".*

Flare and Vent Consents

3.10 The NSTA considers the effective management of flare and vent consents is a vital indicator of good stewardship of fields by operators and licensees. The management of flare and vent consents is an important component of a stable, well-regulated environment in which industry, investors and the public can have confidence.

3.11 The NSTA issued new Flaring and Venting guidance in June 2021 ("**Flaring and Venting Guidance**"). Chrysaor was aware of the NSTA Flaring and Venting Guidance upon its publication in June 2021. Section 6 of the Flaring and Venting Guidance states that "*Operators must inform the [NSTA] as soon as it becomes clear that there is a risk of flaring or venting consent breach […] Failure to notify the [NSTA] in good time of a likely breach of consent may be taken as evidence of poor management of emissions and the [NSTA] may deny requests for consent variations and/ or pursue sanction action*."

4. LICENSEES

4.1 Chrysaor was the Operator – and only licensee – for Licences P66, P110, P355, P356 and P591 which cover the Fields at the time of the exceedance.

5. FAILURE TO COMPLY

5.1. Under section 42 of the 2016 Act the NSTA may give a Sanction Notice where it considers that there has been a failure to comply with a petroleum-related requirement. A petroleum-related requirement includes a requirement imposed on a person by or under a provision of the 2016 Act which, by virtue of the provision, is sanctionable in accordance with Part 2, Chapter 5 of the 2016 Act.

5.2. Section 12A(1) of the Energy Act 1976 ("**the 1976 Act**") states, in part, that the NSTA's consent is required for natural gas to be disposed of (whether at source or elsewhere) by releasing it unignited into the atmosphere in connection with activities carried out under a licence granted under section 2 of the Petroleum (Production) Act 1934 or section 3 of the Petroleum Act 1998. Section 12B of the 1976 Act provides that "*The requirements imposed by sub-sections (1) and (4) of s. 12A "are to be treated for the purposes of Chapter 5 of Part 2 of the Energy Act 2016 (power of the OGA to impose sanctions) as petroleum-related requirements*".

5.3. Chrysaor's unauthorised venting in 2022, in exceedance of the Consent, occurred in connection with activities carried out under licences P66, P110, P355, P356 and P591, which were granted under section 2 of the Petroleum (Production) Act 1934.

5.4. Chrysaor vented 370.046 tonnes at Armada for the period from **1 January 2022** to **31 December 2022**, exceeding the Consent by 145.566 tonnes. Chrysaor disposed of natural gas by releasing it unignited into the atmosphere in connection with activities carried out under licences granted under section 2 of the 1934 Act without the necessary consent, contrary to section 12A of the 1976 Act ("**the Breach**").

5.5. The NSTA has determined that the Breach constitutes a failure to comply with a petroleum-related requirement. The NSTA considers that the appropriate action is to give a Sanction Notice to Chrysaor for this failure to comply.

6. THE SANCTION WARNING NOTICE

6.1. A Sanction Warning Notice was given to Chrysaor on **14 January 2025**, and Chrysaor was given the opportunity to provide representations, which it did on **6 February 2025.** Following a further request for information from the NSTA on **21 March 2025**, Chrysaor provided a second set of representations in a letter of **17 April 2025**. The NSTA has considered those representations, and these are summarised as follows:

The decision to give a Sanction Warning Notice was *ultra vires*

6.2. Chrysaor submitted that the NSTA's decision to give a Sanction Warning Notice was ultra vires because it failed to take into account the inherent permissions provided at section 12A(3) of the Energy Act 1976.

6.3. Chrysaor submitted that three of the four venting events in 2022, which resulted in the exceedance, fall under section 12A(3) of the Energy Act 1976:

Date	Chrysaor's explanation of event	Amount vented	Does Chrysaor believe section 12A(3) applies?
7 Jan 2022	The uninterruptable power supply failed causing a full platform shutdown and blowdown as part of the failsafe procedures. The flare was extinguished, and venting was required to relight it.	73 tonnes	Yes
15 Aug 2022	The platform underwent its annual planned shutdown as part of normal maintenance activities. During the process restart venting was required to relight the flare.	92.27 tonnes	No
27 Oct 2022	A system fault resulted in the flare being extinguished and it could not be relit for a period of 72 hours, despite numerous attempts, due to high winds and low production rates.	86.186 tonnes	Yes
7 Nov 2022	Depressurisation led to the flare being extinguished; high winds prevented relighting	118.590 tonnes	Yes

6.4. Section 12A(3) of the 1976 Act sets out:

"*Disposal of gas does not require consent under this section if—*

(a) it is necessary in order to reduce or avoid the risk of injury to any person,

(b) the risk could not reasonably have been foreseen in time to reduce or avoid it otherwise than by means of the disposal, and

(c) it was not reasonably practicable to obtain consent under this section in the time available."

All three of the criteria under section 12A(3) need to be met for it to be applicable, as indicated by the 'and' at the end of (b).

6.5. The NSTA has carefully considered, based on the information put before it, whether the exemption to requiring a consent in section 12A(3) applies to any of the four venting events such that consent was not required.

6.6. For the first venting event in **January 2022**, the NSTA notes that it was related to the operation of a safety system and the venting occurred as part of the shutdown and then again when relighting the flare. The NSTA notes, however, that Chrysaor has not provided a clear distinction between what was discharged as part of the shutdown, versus what was discharged as part of the restart activities prior to relighting the flare. The NSTA understands that the majority of the venting was associated with the platform restart and the four attempts required to relight the flare. Therefore, the gas itself was not disposed of (vented) in order to reduce or avoid the risk of injury to any person and therefore the venting does not meet the first part of the test for the exemption provided at section 12A (3) (a).

6.7. The NSTA agrees with Chrysaor that the planned shutdown in **August 2022** does not fall under section 12A(3) and therefore the venting associated with the second event did require consent.

6.8. For the third and fourth venting events, as with the first, the NSTA has not been provided with a clear distinction between what was discharged as part of the shutdown, versus what was

discharged as part of the restart activities prior to relighting the flare. However, the NSTA notes that Chrysaor has said in its representations that "… *had adverse weather not hindered the relighting of the flare during these events, then the volume of gas vented would have been lower, and likely within the granted consents*". Therefore, the NSTA understands that the majority of venting was associated with the platform restart and the multiple attempts required to relight the flare in each event. As such, the majority of the venting was associated with the platform restart, so the gas itself was not disposed of (vented) in order to reduce or avoid the risk of injury to any person and therefore the venting does not meet the first part of the test for the exemption provided at section 12A (3) (a).

6.9. Even if the venting in the first, third and fourth venting events did meet limb (a) of the exemption (which the NSTA does not accept), it was in any case a risk that could reasonably have been foreseen and it would have been reasonably practicable to obtain the consent of the NSTA. Specifically, as regards the venting associated with the platform restarts, the NSTA considers it is normal to have a number of safety system initiated shutdowns, and the associated restart, on a platform over the course of a year. It is also not unusual for flares to go out after a shutdown and for it to take multiple attempts to get a flare relit when relying on shotgun ignition. High winds are not uncommon in the North Sea and it is not unexpected to encounter problems lighting a flare with a shotgun during periods of high wind. The NSTA considers that it is the responsibility of the operator to anticipate circumstances where venting might occur and make reasonable provision for such events within their applications for vent consents.

6.10. Further, the NSTA also notes that section 12A (4) of the 1976 Act states:

"A person who disposes of gas in cases where the consent of the OGA would have been required but for subsection (3) must inform the OGA of that disposal as soon as practicable after the disposal takes place"

Whilst the NSTA does not accept that any of the venting events fall within the safety exemption, even if they did, Chrysaor has not complied with the requirement of section 12A(4). Chrysaor informed the NSTA on **24 May 2023** of the Consent exceedance, over six months after the fourth and final venting event, which is a considerable amount of time after the events and indicates that Chrysaor was unaware of the amount that it had vented.

6.11. The NSTA strongly supports safety in the oil and gas industry. However, in this case, the NSTA concludes that the disposal of gas in these venting events was not necessary in order to reduce or avoid the risk of injury and that, in any case, the need to vent in each instance could reasonably have been foreseen when the commercial decision to restart was made and as such it would have been reasonable to obtain the relevant consent. These venting events do not meet the three-limb requirements of the exemption in section 12A (3), but instead were a normal, foreseeable, aspect of operating this type of installation. Consent from the NSTA was, therefore, required for the disposal of gas in these venting events. The Consent was exceeded due to Chrysaor's lack of effective monitoring of its vent performance against the Consent.

Had the flare been lit, Chrysaor would have remained within its consents

6.12. Chrysaor asserted that had the flare not been extinguished in the **27 October 2022** and **7 November 2022** events, the venting would not have occurred and the flaring that had taken place instead would have been permitted under its 2022 flare consent for Armada.

6.13. The NSTA considers that the flare was extinguished, and there was venting which led to the Consent being exceeded. If Chrysaor had been effectively tracking its venting throughout the year, it could have identified the issue and been able to avoid a consent breach by either modifying its operational behaviours or requesting a revised consent.

The decision to give a Sanction Notice conflicts with criteria set out at paragraph 17 of the Sanctions Procedure

6.14. Chrysaor submitted that the decision to give a Sanction Notice conflicts with criteria set out at paragraph 17 of the Sanctions Procedure, in particular:

a. 17(d) *whether the sanction will be successful in correcting the failure to comply with a petroleum related requirement*. Chrysaor argued that no sanction is required because it is now in compliance and has already taken steps to ensure future compliance

b. 17(f) *whether the allegation concerns conduct that is, or appears to be, a repeated, intentional or flagrant contravention.* Chrysaor stated it was forced to vent for safety reasons created by adverse weather conditions. But for those weather conditions, it would have flared the gas and remained within consented volumes. Chrysaor argue there is no evidence of intent and it has received no benefit from the exceedance.

c. 17(h) *the suitability of the sanctions*. Chrysaor stated that no sanction is required or capable of addressing poor weather conditions, which is outside of the control of Chrysaor.

d. 17(i) *alternative resolutions*. No alternative resolutions are available under section 12B(2) of the Energy Act 1976. Chrysaor believe the NSTA does have the power not to give a sanction at all, which they suggested was the correct outcome given the facts in this case, and that the same outcome would be achieved without financial penalty.

e. 17(l) *urgency*. In light of the fact that the events occurred in 2022, all remedial action has been taken, and nothing is outstanding, Chrysaor argued it was difficult to identify any need for urgency in this matter.

6.15. Paragraph 17 of the NSTA Sanction Procedure sets out a non-exhaustive list of the considerations the NSTA will usually take into account in reaching a determination as to whether there has been a breach of a petroleum related requirement and whether to give a Sanction Warning Notice and a Sanction Notice. In particular:

a. The relevant wording of 17(d) states: '*The prospect of success. Whether there is a reasonable chance that a sanction can be imposed successfully and whether the sanction will be successful in correcting the failure to comply with a petroleum related requirement ...*'. The NSTA considers that there is a reasonable chance that a sanction can be imposed successfully in this case. Under Section 12B(2) of the 1976 Act the only available sanction to the NSTA for a vent consent breach such as this one is a financial penalty.

b. The full wording of 17(f) states: '*The severity of the failure or suspected failure to comply in the context of the relevant petroleum-related requirement. Whether the allegation concerns conduct that is, or that appears to be, a repeated, intentional or flagrant contravention'*. The Sanction Notice sets out the NSTA's considerations of the severity of

the Breach. The Sanction Notice does not state that this was an intentional breach on the part of Chrysaor.

c. The wording of 17(h) states: '*The suitability of the imposition of sanctions to address the failure or suspected failure to comply with a petroleum related requirement'.* The NSTA has set out in the Sanction Notice why a sanction is appropriate in this case to address the failure to comply with a petroleum-related requirement. Taking enforcement action in respect of a failure to adhere to consents helps maintain a stable and predictable system of regulation by demonstrating how the NSTA is acting to ensure that regulatory obligations are complied with.

d. The wording of 17(i) states: *'Whether there are other alternative resolutions that are likely to achieve the same ends, or deal with the same issues, as the Investigation (for example, would opening a dispute regarding third party access be more appropriate in the circumstances)'.* Chrysaor is correct in stating that there are no relevant alternative sanction resolutions other than a financial penalty, for the NSTA for a consent breach such as this. This Sanction Notice makes clear why the NSTA considers it is necessary to issue a financial penalty in this case.

e. The wording of 17(l) states: '*The urgency for action. Whether there is a continuing urgency to pursue the Investigation, or whether the case can be deferred'.* The NSTA considers the effective management of flare and vent consents is a vital indicator of good stewardship of fields by operators and licensees. The management of flare and vent consents is an important component of a stable, well-regulated environment in which industry, investors and the public can have confidence. Notwithstanding that the Breach only came to light the following year and an investigation was opened at the end of 2023, an investigation was still warranted in order to establish the facts and decide if a sanction was appropriate.

The decision to give a Sanction Notice is unreasonable

6.16. Chrysaor stated that the decision to give a Sanction Notice was unreasonable as it does not meet the NSTA aims set out at paragraph 24 of the NSTA Sanctions Procedure. Further, Chrysaor submits that the NSTA has failed to give due consideration to relevant conduct and context and the imposition of a Sanction Notice disincentivises good relations and transparency between operators and the NSTA.

6.17. Chrysaor stated its view that the NSTA had acted unreasonably when deciding to give a Sanction Warning Notice for unintentional and unavoidable events outside of an operator's control, in circumstances where it had:

a. not benefited;

b. been wholly transparent with the NSTA; and

c. it had not failed to meet a petroleum-related requirement previously.

6.18. Chrysaor also submitted that there had been a long delay between Chrysaor's notification of the exceedance (where all information provided by Chrysaor to the NSTA was provided by **30 May 2023**) and the decision to give a sanction.

6.19. Paragraph 24 of the NSTA Sanction Procedure sets out the considerations the NSTA will usually take into account in deciding which type and level of sanction to apply to a failure to comply with a petroleum-related requirement. Paragraph 24 makes clear that the NSTA's aim is that any sanction, should one be given:

a. is effective in addressing the underlying cause of the failure to comply;

b. is dissuasive of future failure to comply, either by Chrysaor or, further to publication of the Sanction Notice, other persons in similar circumstances;

c. is proportionate to the significance of the failure in the context of the petroleum-related requirement and the impact on the relevant persons; and

d. the NSTA will also usually take into account matters relating to the specific circumstances of the failure to comply.

6.20. In response to Chrysaor's submissions above, the NSTA considers:

a. Whether Chrysaor benefitted from the failure is a factor which applies to the severity of the failure, rather than the failure itself. The NSTA has made clear in the Sanction Notice that there is no evidence before the NSTA to suggest Chrysaor either gained or sought to gain from the Breach;

b. The NSTA expects those that it regulates to engage with it in an open and transparent manner. The Sanction Notice states as a mitigating circumstance that Chrysaor has fully cooperated with the NSTA's investigation;

c. Although it was previously taken into consideration, the Sanction Warning Notice did not make clear that Chrysaor have had no previous sanctions from the NSTA. The Sanction Notice does now make that clear in the mitigating circumstances; and

d. Concerning the timing of the investigation, the NSTA notes that the investigation was opened on **5 December 2023** and an information notice was issued on the same day.

The level of the proposed fine is unreasonable

6.21. Chrysaor submitted that the financial penalty is unreasonable because:

a. It does not account for Chrysaor's self-reporting.

b. Chrysaor has no previous sanctions in relation to these assets.

c. The Sanction Warning Notice incorrectly implied that Chrysaor may have obtained some benefit from non-compliance with the venting consent. Chrysaor argued that is factually incorrect as there was no additional benefit to being able to vent because consent had been obtained to flare, and the intention was that those gases would have been flared but for adverse weather.

d. The NSTA incorrectly described the contravention as lasting approximately seven months.

e. The Sanction Warning Notice indicated that the Breach is more serious by virtue of: (i) incorrectly estimating the likely amount of venting; (ii) not informing the NSTA when it was close to reaching its consented amounts, and (iii) taking a period of seven months to properly identify and notify the NSTA of the exceedance.

f. There is no requirement in law to notify the NSTA that an operator is approaching or has exceeded venting consents. Although Chrysaor has taken steps to comply with the Guidance, it is not legally binding.

g. Chrysaor notified the NSTA immediately when it became clear that it had exceeded the Consent.

h. The penalty amount is disproportionate when considering the other reported cases of breach of vent and/or flare consent.

6.22. The NSTA considers:

a. The Sanction Notice (as the Sanction Warning Notice did) takes account of Chrysaor's self-reporting, stating: "*Chrysaor brought the exceedance to the attention of the NSTA*".

b. The NSTA took into account when giving the Sanction Warning Notice that Chrysaor has no previous sanctions against them, although this was not set out in the Sanction Warning Notice itself. It is now stated explicitly in this Sanction Notice, but this does not result in a change to the financial penalty.

c. The Sanction Notice now makes clear that there is no evidence currently before the NSTA to suggest that Chrysaor gained (financially or otherwise) from the failure to comply.

d. The Sanction Notice now makes clear that the Consent was exceeded on **27 October 2022**, but that it took seven months for Chrysaor to bring the matter to the NSTA's attention.

e. The aggravating circumstances which the NSTA can take into account when determining a financial penalty is a non-exhaustive list. This includes: "*Absence of internal mechanisms / processes to prevent the failure to comply*". The fact that Chrysaor did not notice the exceedance for seven months indicates an absence of an internal mechanism/process to prevent the failure to comply.

f. The Sanction Notice does not state that it is a legal requirement to notify the NSTA if an operator is approaching or has exceeded venting consents. However, we have made clear that is stated in the Flaring and Venting Guidance.

g. The Sanction Notice states that Chrysaor notified the NSTA when they became aware of the exceedance, but that this was seven months after the event, a significant period of time that indicates poor systems and processes and a lack of oversight of venting data.

h. The NSTA will always consider, and has so considered in this case, the specific circumstances of each individual case when deciding whether to give a sanction and, if so, the type and level of sanction in line with its relevant guidance. The central objective of the financial penalty in this Sanction Notice is deterrence, with the penalty level being set at a sufficient level to reflect this and the seriousness of the Breach, in line with paragraph 16.2 of the Financial Penalty Guidance and paragraph 24(b) of the NSTA Sanction Procedure, both of which refer to a sanction or financial penalty being "*Dissuasive of future failure to comply, either by the person or, further to publication of the [Sanction Notice]/[penalty notice], other persons in similar circumstances*". In view of this, and the NSTA's consideration of factors in its Financial Penalty Guidance, the NSTA remains of the view that **£150,000** is a proportionate sanction in this matter.

7. THE SANCTION IMPOSED

7.1 Section 12B(2) of the 1976 Act states that where there is a failure to comply with the requirements under section 12A of the 1976 Act the only available sanction is a financial penalty notice.

7.2 The NSTA has decided to give a Sanction Notice imposing a financial penalty of **£150,000.00** ("the Financial Penalty") in respect of the Breach. In arriving at the level of the proposed Financial Penalty, the NSTA has had regard to those matters listed in section 8 of the 2016 Act, in particular the need to maintain a stable and predictable system of regulation which encourages investment in relevant activities.

7.3 Taking enforcement action in respect of a failure to hold the necessary statutory consent helps maintain a stable and predictable system of regulation by demonstrating how the NSTA is acting to ensure that regulatory obligations are complied with.

Consideration of the NSTA's Sanction Guidance and Financial Penalty Guidance

7.4 In deciding the level of financial penalty to impose in respect of the Breach, the NSTA has had regard to its Financial Penalty Guidance[2].

7.5 Further, the NSTA has considered carefully the aims set out in paragraph 24 of the Sanction Procedure Guidance[3] and paragraph 16 of the Financial Penalty Guidance, which are that any financial penalty determined should be among other things:

7.5.1 Effective in addressing the underlying cause for the failure to comply;

7.5.2 dissuasive of future failure to comply, either by the person or, further to publication of the [Sanction Notice]/ [penalty notice], other persons in similar circumstances; and

7.5.3 proportionate to the significance of the failure in the context of the petroleum-related requirement and the impact on the relevant persons.

7.6 Taking those matters into account, among other things, the NSTA considers that it would be appropriate to impose a sanction in respect of the Breach and that a financial penalty set at **£150,000.00** would send a strong message to Chrysaor, dissuading both it and other persons in similar circumstances of future failure to comply, and making clear that the NSTA takes

[2] Financial Penalty Guidance
[3] NSTA Sanction Procedure, 4 November 2022.

compliance with the need to have appropriate venting consents in place seriously. In that regard, the NSTA considers that the level of the Financial Penalty would be effective in addressing the underlying cause of the Breach, dissuasive of future failures to comply with regulatory obligations (both by Chrysaor and, once the notice is published, other persons in similar circumstances), and proportionate to the significance of the Breach.

7.7 Paragraph 17 of the NSTA's Financial Penalty Guidance sets out various matters that the NSTA may also take into account when determining the amount of a financial penalty, as follows:

The extent to which Chrysaor may have sought to benefit from the failure to comply

7.8 There is no evidence currently before the NSTA to suggest that Chrysaor explicitly sought to benefit from the failure to comply.

Whether Chrysaor gained as a consequence of the failure to comply

7.9 There is no evidence currently before the NSTA to suggest that Chrysaor gained (financially or otherwise) from the failure to comply.

The severity of failure to comply

7.10 Chrysaor exceeded the levels provided for in its Consent by almost 65% of what was permitted.

7.11 Prior to 2022, Chrysaor had included venting within the Armada flaring consent figures. The NSTA's Flaring and Venting Guidance, published in **June 2021**, made it clear that this was no longer acceptable. Chrysaor was informed by the NSTA of the Flaring and Venting Guidance in **June 2021**. The Consent was the first Chrysaor had sought and obtained to vent at Armada. Chrysaor made its application for the Consent based on estimating how much venting there was likely to be required. Chrysaor got these estimates wrong which led to an exceedance of 145.566 tonnes which remained undetected for nearly seven months. The NSTA expects operators to be confident in their data and projections, to reasonably anticipate events which could occur which may impact upon venting levels and to engage with the NSTA appropriately, with effective monitoring systems in place.

7.12 Paragraph 6 of the Flaring and Venting Guidance states that "*Operators must inform the [NSTA] as soon as it becomes clear that there is a risk of flaring or venting consent breach*." Consequently, as a prudent operator, Chrysaor should have informed the NSTA when it was close to exceeding the Consent. Chrysaor did not identify the exceedance for nearly seven months following the expiration of the Consent. Chrysaor's late knowledge of the exceedance is an indication that it was not tracking its venting and had poor systems and process in place to monitor its venting volumes as against its consent to vent.

7.13 The NSTA has repeatedly signalled to the UK upstream oil and gas industry that compliance with its regulatory obligations is vitally important to sustaining the industry's social licence to operate in the UKCS.[4] A failure to comply with a vent consent has the potential to undermine public confidence in the ability of the industry to operate within prescribed limits which in turn impacts and/or affects the industry's social licence to operate, may undermine the confidence of investors, and potentially undermines the authority of the regulator. In giving this Sanction Notice, the NSTA considers the need to maintain a stable and predictable system of regulation

[4] *See*: Open letter from the NSTA to licensees and infrastructure owners to outline the next stage of our regulatory approach, 4 June 2019; and the NSTA's Thematic Review into Industry Compliance with Regulatory Obligations, 29 October 2020.

which encourages investment as relevant (per section 8 (1) of the 2016 Act). The obligation in the Consent is clear and should be complied with and this is provided for in the Sanction Notice.

The degree of harm caused, or increased costs incurred by the failure to comply

7.14 Chrysaor's failure to comply undermines trust and confidence in its asset management and the oversight of its regulatory obligations.

Whether there are any relevant industry Codes of Practice

7.15 Whilst the NSTA has issued the Flaring and Venting Guidance, there are no industry codes of practice governing flaring and venting.

The duration of the contravention

7.16 The data provided by Chrysaor shows that the Consent was exceeded on **27 October 2022**. Chrysaor informed the NSTA of the exceedance on **24 May 2023** and was unaware that it exceeded its vent consent for approximately seven months; a significant period of time.

Mitigating circumstances

7.17 Chrysaor brought the exceedance to the attention of the NSTA and has fully co-operated with the NSTA's investigation.

7.18 Chrysaor has had no previous sanctions from the NSTA.

7.19 Chrysaor has taken steps to prevent future vent consent exceedances including by:

7.19.1 Considering planned and unplanned vent events in the volumes sought to be consented in future applications;

7.19.2 Implementing procedure and awareness training;

7.19.3 Focusing on the capture, verification and processing of data;

7.19.4 Presentation of the vent consent status at monthly business performance reviews;

7.19.5 Continued development to integrate flare and vent categorisation into its allocation system; and

7.19.6 One team managing the consenting process.

Aggravating circumstances

7.20 Chrysaor was unaware that it exceeded its vent consent – including the amounts it vented – for approximately seven months; a significant period of time. Chrysaor's late knowledge of the exceedance is an indication that it was not tracking its venting and had poor systems and processes in place to monitor its venting volumes as against its consent to vent.

7.21 Due to the factors set out above, the NSTA has decided to give a Sanction Notice imposing a financial penalty of **£150,000.00.**

8 PUBLICATION OF THE SANCTION NOTICE

8.1 Pursuant to section 53 of the 2016 Act, the NSTA may publish details of any Sanction Notice given in accordance with Chapter 5 of the 2016 Act.

8.2 The NSTA may not publish anything that, in the NSTA's opinion is (a) commercially sensitive; (b) not in the public interest to publish; or (c) otherwise not appropriate for publication.

8.3 The NSTA does not consider that the Sanction Notice contains any commercially sensitive information. Further, the NSTA considers that publication of the Sanction Notice without redaction is both in the public interest and appropriate. The NSTA considers that the public interest in publishing the Sanction Notice includes:

8.3.1 developing public and investor confidence in the UK Continental Shelf by demonstrating how the NSTA is acting to ensure that regulatory obligations are complied with;

8.3.2 encouraging licensees to come forward with information that can assist NSTA investigations;

8.3.3 enhancing licensee and public understanding of when the NSTA does, and does not, consider it appropriate to take enforcement action;

8.3.4 providing a means of achieving due process and ensuring that parties directly involved in the case are treated fairly; and

8.3.5 dissuading others from failure to comply

8.4 Therefore, the NSTA considers it appropriate to publish the Sanction Notice.

On Behalf of the NSTA Board