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# Guidance on the development and use of Area Plans

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July 2017

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# Scope and purpose of this document

1. This guidance has been developed to aid the UK oil and gas industry's understanding of Area Plans. As experience and practice develop, the OGA will update and review this guidance.
2. Area Plans are not intended to guarantee commercial returns for participants<sup>1</sup> but can help demonstrate achievement of the principal objective of maximising the economic recovery of UK's offshore oil and gas resources (MER UK) (the principal objective) and meeting MER UK obligations, required actions and behaviours<sup>2</sup>. That, based on the information before it, the OGA considers an Area Plan to be broadly consistent with the principal objective, does not prevent the OGA from exercising any appropriate regulatory powers in relation to activities carried out in relation to that Area Plan.
3. All parties need to cover their own costs of involvement in all phases of an Area Plan. Where joint costs are incurred between participants, as indicated in a scope of work document, allocation of these will be handled in the project governance subsequently agreed by the relevant parties. For the majority of Area Plans, the OGA will normally expect industry to lead on developing and delivering the plans.

<sup>1</sup> [The MER UK Strategy](#) provides a safeguard that compliance with the central obligation will not lead to any individual company investing in a project or operating existing assets where there is not a satisfactory expected commercial return on that investment or activity.

<sup>2</sup> [The MER UK Strategy's](#) supporting obligations cover the following activities: exploration, development, asset stewardship, technology, and decommissioning. The required actions and behaviours cover: timing, collaboration, cost reduction and actions where relevant parties decide not to ensure maximum economic recovery.

# Introduction

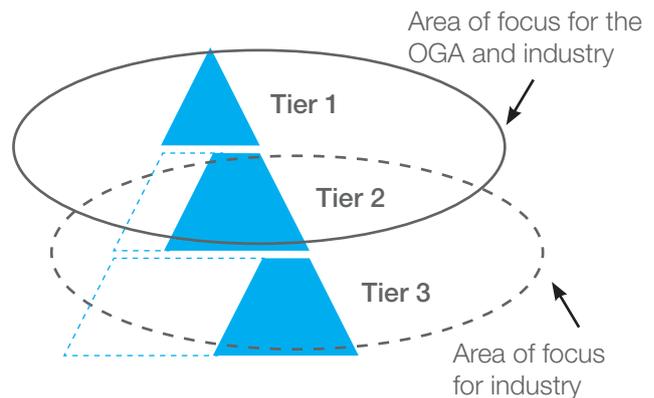
## Definitions

4. The definitions set out below are used in this guidance.

- **Area Plan** – a proposal for action developed in partnership between the OGA and industry as to how economic recovery should be maximised in a particular geographical area of the UKCS based on analysis of evidence.
- **MER UK Plan** – a plan as described in paragraphs 23 to 25 of [the MER UK Strategy](#) as an ‘OGA Plan’ that sets out the OGA’s views of how any obligations in the MER UK Strategy may be met. *This guidance does not cover MER UK Plans.*
- **Regional Strategy** – aggregate of a number of relevant Area Plans in a specific region. The OGA reserves the right to add further direction in the future at a regional level.

5. The OGA is working closely with operators, licence holders and other interested parties to develop Area Plans across the oil and gas life cycle that integrate exploration, development, production, operations to maximise economic recovery for example through decommissioning to ensure the optimum use of infrastructure to extend the life of hubs.
6. Area Plans are a shared view amongst industry participants of the optimal way to achieve MER UK in a specific set of circumstances.
7. Area Plans vary in magnitude, scale and complexity and in some cases are integrated with other Area Plans. The relationship and fit between Area Plans are captured in the simple tier model in Figure 1.

**Figure 1: Area Plan hierarchy**



**Tier 1:**

Significant impact on MER UK and significant complexity

**Tier 2:**

Moderate impact on MER UK and moderate complexity

**Tier 3:**

Low impact on MER UK and low complexity

8. The OGA intends to prioritise its efforts on Tier 1 and Tier 2 Area Plans.
9. This guidance applies both when Industry unilaterally take action on area planning, with OGA engagement later in the process, and when the OGA initiate the preparation of Area Plans.
10. Case studies of recent Area Plans can be found at **Annex B**.

# Context

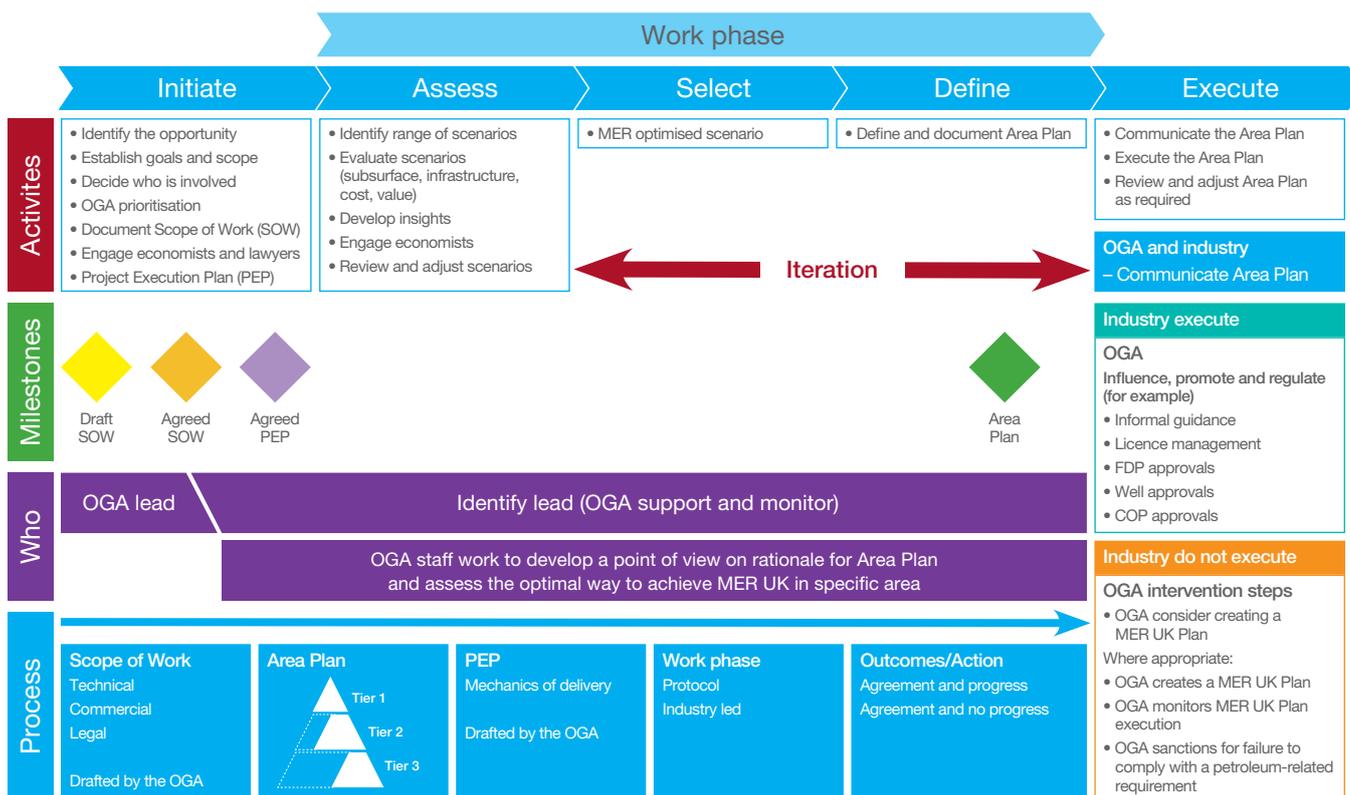
## Competition law

11. It is the responsibility of industry participants involved in producing and implementing an Area Plan to seek their own assurance that their conduct is compliant with competition law and that an appropriate competition impact assessment has been completed prior to among other things sharing information. The OGA set out the context and background to competition law in a [competition and collaboration](#)<sup>3</sup> note published in November 2016.

## Stage-gate process

12. The OGA has developed a stage-gate process (Figure 2) to help industry develop and track Area Plans. This can be adapted as appropriate to suit individual Area Plans. A summary of the OGA and industry roles are set out in Figure 2.

Figure 2: Stage-gate process



3 [https://www.ogauthority.co.uk/media/2952/oga\\_competitioncollaboration\\_ukcontshelf\\_16.pdf](https://www.ogauthority.co.uk/media/2952/oga_competitioncollaboration_ukcontshelf_16.pdf)

# Initiate phase

13. For key Area Plans, the OGA will take the lead in the initiate phase, identifying opportunities that may be realised through a collaborative approach in a specific area. At this point the OGA may choose to send an initiate letter to relevant parties. Where appropriate the OGA will publish this letter on its website.

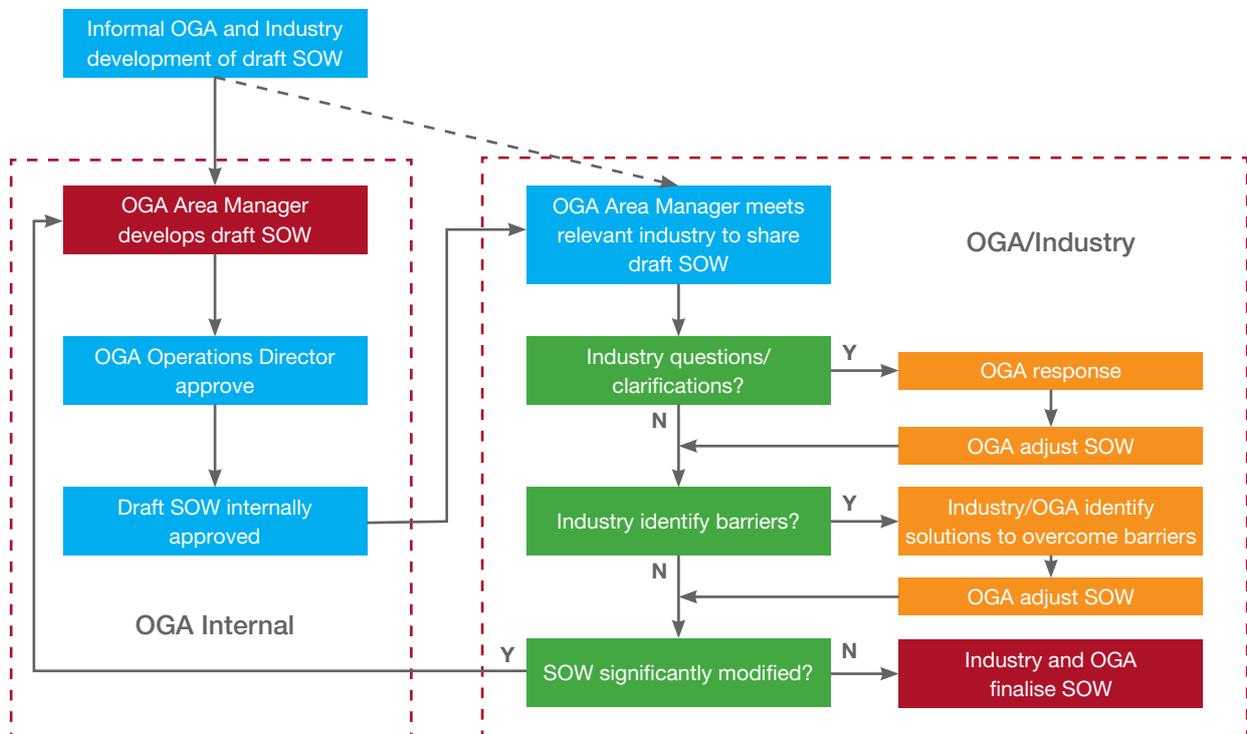
- identifies the opportunity
- establishes goals and scope
- identifies the participants to deliver and execute the plan
- identifies data requirements for the project
- establishes tier prioritisation with the OGA

## Scope of work document

14. The first deliverable of the initiate phase is to draft the scope of work (SOW) document<sup>4</sup>. The SOW should be developed in collaboration with Industry at the beginning of the area planning effort, with the OGA 'holding the pen'. The SOW:

15. Figure 3 illustrates the process and decisions points to agree the SOW. It is likely that the 'OGA internal' and 'OGA/industry' elements will be carried out in parallel and could involve joint OGA/ Industry workshops to maximise engagement and shared understanding. It is estimated that it will normally take between four and 12 weeks to finalise the SOW.

Figure 3: Scope of work flow chart



4 The SOW template can be found in Annex A.

## Project-execution plan

16. Industry should take the lead developing a project execution plan (PEP) for the Area Plan, with general assistance from the OGA. This is the final step in the initiate phase of the stage-gate process and it is estimated that the process to complete the PEP will take about three weeks, but this will vary dependant on the size and complexity of the Area Plan.
17. The PEP sets out the mechanics of the Area Plan execution, including data templates; any competition law requirements (if applicable); a level-one plan with detailed deliverables from each phase; roles and responsibilities of industry and the OGA; and governance requirements.
18. When assessing a PEP, the OGA may consider, amongst other things, whether the PEP addresses the critical success factors and success factors (as set out in Figure 4 and Figure 5 opposite).
19. Where the OGA is leading area planning, and there is limited industry involvement at this stage, a PEP will likely not be required. In these circumstances, the OGA SOW is normally the final step in the initiate phase. However, discussion of this SOW will form part of any guidance given in a later transition of the lead role from the OGA to industry.

**Figure 4: Critical success factors**

Critical success factors
1. Appropriate people for the work team
2. Time-line target
3. Compliance with the requirements of competition law and other legislation

**Figure 5: Success factors**

Success factors
1. Use of a stage-gate process
2. Clearly defined project scope
3. Credible data to support the proposed outcome, captured in an agreed template
4. Development of a shared view to achieve MER UK

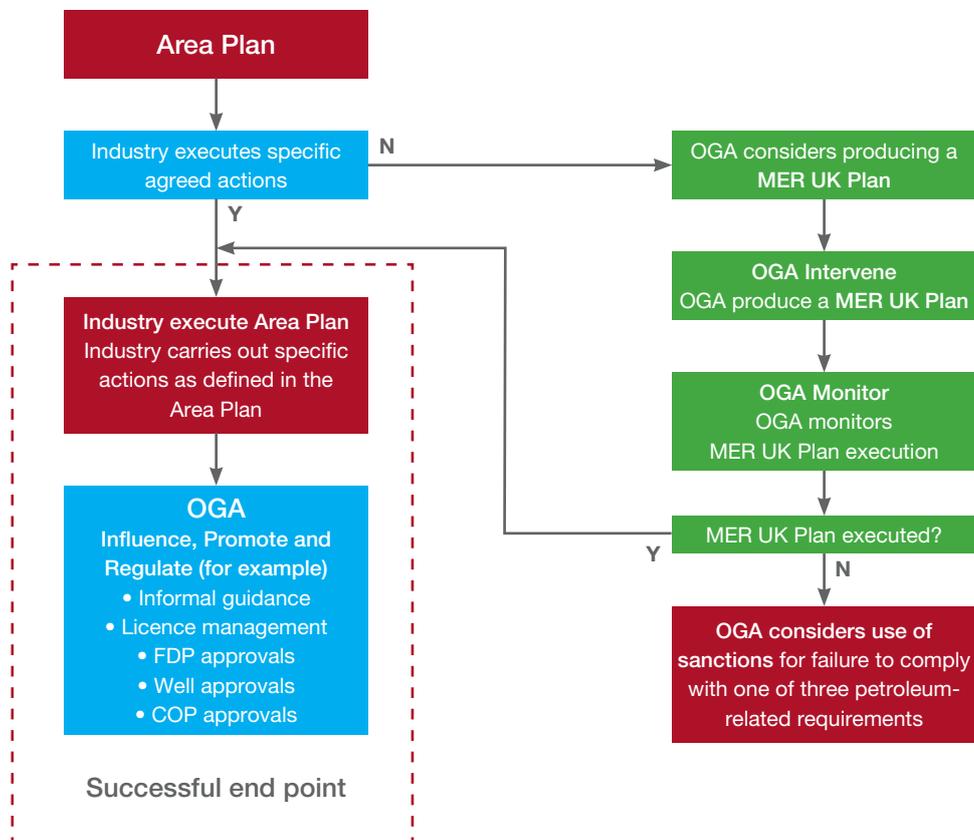
# Work phase – assess, select and define scenarios

20. Industry should take the lead in the work phase, developing the solution. An Industry project lead should be identified by participants to deliver the area planning process.
21. In the work phase, the project lead should:
- identify a range of scenarios for the Area Plan
  - gather data to support proposals
  - evaluate the scenarios, potential outcomes and models (subsurface, infrastructure, cost and value)
  - deepen understanding of scenarios and develop insights into the potential outcomes
  - identify the scenario that maximises economic recovery
  - define and document the Area Plan
22. Depending on the approach taken, the project leader may need to seek modelling input from outside the project team including from an independent third party.
23. During the work phase it is important to revisit the selected scenarios to ensure they are still valid or to make adjustments where necessary.
24. In the work phase of an industry-led Area Plan, the OGA will have a relatively light touch role to gauge whether progress is being made in line with the schedule in the PEP. This will normally include attending regular planned meetings; considering whether the scope has changed; and answering any questions. The OGA may be required to complete any analysis where sensitive information cannot be shared with the work group. Any such requirement for OGA analysis will likely be made clear in the SOW document.
25. During the work phase, the OGA may also carry out additional internal technical or economic analysis to increase its specific knowledge of the proposed scenarios pertinent to the Area Plan in order to develop a point of view.
26. Further, and as a minimum, the Area Plan must have the sections set out in the scope of work document (Annex A). Once the optimal way to achieve MER UK has been ‘defined’ it should be added to the draft Area Plan by the project leader and shared with the relevant OGA Area Manager. The OGA Area Manager will review the plan and also seek internal OGA comments.
27. Following this, the Area Plan will be submitted to the OGA Operations Director for feedback as to whether, based on the current information, it is broadly consistent with the principal objective.
28. The OGA Operations Director will consider whether the plan is a robust plan or a weak plan based on the following:
- a. **robust plan** – based on the current information, it is broadly consistent with the principal objective (MER UK) and so industry will continue to collaborate to execute the Area Plan
  - b. **weak plan** – based on the current information, it is not broadly consistent with the principal objective (MER UK). In such circumstances, the OGA is likely to request more work to cover specific elements over a fixed period of time. *On second presentation, it is expected that the plan will be robust*

# Execute phase

29. Industry should take the lead in the **execute phase**, implementing the solution.
30. Once the OGA has given its feedback that the Area Plan is broadly consistent in its view based on the information before it with the principal objective, it is expected that the Area Plan will be executed by Industry.
31. During the execution phase it is important to revisit the Area Plan to ensure it is still valid or to make adjustments where necessary.
32. If industry executes the Area Plan and carries out the actions, the OGA will support their activities through its role to regulate, influence and promote.
33. If industry does not execute the specific actions as per the agreed schedule, the OGA may steward the Area Plan using the wide range of powers and tools at its disposal – these include the licensing regime, consents, MER UK Plans, and other regulatory powers where applicable.
34. The execute phase and relevant decision points are summarised in Figure 6.
35. For Tier 1 or Tier 2 level Area Plans when there is no clearly identifiable lead operator, the OGA may as a last resort take a more active role. The OGA would assist Industry in the work phase to enable a shared view amongst Industry participants of the optimal way to achieve MER UK in the specific set of circumstances and thus the production of an Area Plan.

Figure 6: Execution of the Area Plan



### Area Plans as MER UK Plans

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36. If there is insufficient progress from industry during the work phase of developing an Area Plan, the OGA may intervene to take the lead from industry – i.e. complete the analysis and share findings with relevant Industry parties, and consider whether to produce a MER UK Plan<sup>5</sup> based on the Area Plan. A ‘MER UK Plan’ sets out the OGA’s view of how any of the obligations of the MER UK Strategy<sup>6</sup> may be met. The OGA is likely to intervene to take the lead when:
- the process to develop an Area Plan is not proceeding as per the agreed PEP schedule or
  - the OGA considers that the emerging Area Plan is not broadly consistent with the principal objective

### Sanctions

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37. The Energy Act 2016 gives the OGA sanction powers where a relevant person has failed to comply with one of three petroleum-related requirements. These sanctionable requirements are:
- a duty to act in accordance with the MER UK Strategy
  - a term or condition of an offshore licence
  - a requirement imposed by specified provisions in the Energy Act 2016<sup>7</sup>
38. The OGA sanction procedure guidance can be found [here](#).

### Communicating the Area Plan

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39. Once the OGA has given its feedback that based on the information before it the Area Plan is broadly consistent with the principal objective, the OGA and Industry should consider on a case-by-case basis how to share the details of the Area Plan. Whenever possible, the details of an Area Plan should be published. This should be set out in the Engagement section of the Area Plan.
40. The OGA will ensure that insights and specific actions derived from area planning are available to relevant individuals within the organisation so that they can be embedded in normal work and they can regulate, influence and promote in accordance with the Area Plan.

<sup>5</sup> As set out in the Introduction, ‘MER UK Plan’ refers to the plans, described as ‘OGA Plans’, and set out in paragraphs 23 to 25 of the MER UK Strategy.

<sup>6</sup> <https://www.ogauthority.co.uk/media/3229/mer-uk-strategy.pdf>

<sup>7</sup> The provisions in the Energy Act that are sanctionable are in relation to: certain dispute-resolution powers; provision of information and samples; meetings; requirements of the sanctions process itself.

# Annex A:

## Scope of work template



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### Area Plan – scope of work and approval to commence

#### [Region/Area of Focus]

This scope of work ('**SOW**') sets out the rationale and the proposed high level scope of the study(ies) to be performed to develop the [ ] Area Plan.

This SOW outlines the goals, governance, methodology, workflows, required people, deliverables and engagement strategy associated with the study together with issues/impacts taken into consideration in arriving at the proposed approach.

TOR Title	
Number	
Revision	
Date	

	Name	Signature
<b>Proposed</b>		
Business Manager		
<b>Supported</b>		
Area Manager		
Legal Counsel		
<b>Approved</b>		
Director Operations		

#### Classification

Level	Official Sensitive
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## Executive summary

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This document outlines the request for approval.

## Issue statement

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### Rationale for developing an Area Plan

Why we are doing this project? Define the opportunity.

### OGA prioritisation of this Area Plan

Where does this rank in the OGA portfolio of activity?

## Goals to be addressed

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### Goal

**What** we are going to address/deliver?

### Boundaries

Identify any specific boundaries to the project.

### Decision quality

Identify the criteria to be used in determining the ranking of various options/scenarios, for example:

- a. maximise the value of economically recoverable petroleum
- b. maximise recovery around production hubs
- c. prolong life
- d. provide additional capacity
- e. efficient decommissioning

## Methodology – technical and economic evaluation

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This section uses the stage-gate process on which to document the phases of the work programme.

Phase	Approach	Resources Required	Risks/Concerns	Competition Sensitivity	Comments
Initiate					
Assess					
Select					
Define					
Execute					

## Who completes the work

This section discusses the options considered and rationale for choice of **who** should carry out the main body of work.

### Option 1: Industry completes the work (default position)

- a) Workgroup does the work; or
- b) Independent third party

### Option 2: OGA completes the work

#### Option 2a: OGA staff

This section considers the available skill sets within the OGA. Consideration must be given to competing priorities within the OGA teams, as well as consideration for bringing together individuals from other OGA departments to assist and obtain approval for those individuals to participate.

#### Option 2b: Seconded from industry

#### Option 2c: External contractor

This section articulates which contractors have been considered for the work and the budgetary status for the scope of work.

### Option 3: Trade association or other external body

## Deliverable(s)

This section defines the media used to record and communicate the goals from the project.

Element	Required Yes/No	Description	Sensitivity OGA/Industry/Public
Study Report			
Strategy Word Document			
Slide Packs			
Other			

## OGA intent of use of deliverables

- To update the OGA Prospect Inventory and Discovery database
- To articulate the Regional Value Pie (100% basis)
- To describe the optimum position, concept or life extension and investment case for new hubs and infrastructure to achieve MER UK
- To encourage further investment and potential new players in the Area
- To create confidence for funders and to promote innovative developments transactions and commercial structures such as – Farm-Ins, Asset transfers, Joint Developments, Area Unitisations or Companies
- To provide a mechanism for the OGA to sense check that subsequent submitted Field Development Plans (FDPs) are aligned with the MER UK Strategy e.g. oversizing of infrastructure for a future field

## Engagement strategy

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This section considers and summarises which interested parties will receive which deliverable from the project.

Number	Interested Party	Communication Approach	Comment

## Governance structure

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### Structure and reporting

Role of the OGA in project governance

### Assurance

Role of the OGA in project assurance

### Documentation

#### Study agreement requirement

A study agreement articulates the governance process between a defined set of participants, the participants' capacity into which they enter the agreement, the way in which data will be shared, boundaries of the study area (map, licence blocks etc), high-level project plan, confidentiality considerations and the scope of work.

#### Data collection

Specific data required to carry out this project

An important principle is for the OGA and industry (i.e. the whole workgroup) to share the necessary relevant datasets. Include specific requirements for data sharing and evaluation.

## Schedule

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This section defines the timeline for the project.

## Competition law

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This section sets out any competition law requirements (if applicable).

## Additional comments

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## Appendices

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Regional map of study area

Companies involved

Data templates

Glossary of terms

# Annex B: Case studies

## Tier 1 – Southern North Sea Hub Collaboration Plan

**Project:** Subsea re-configuration and the possible installation of new compression facilities at an important Southern North Sea (SNS) offshore hub to enable the development of small undeveloped gas discoveries mitigating the back-out of existing users

**Summary:** There are a series of undeveloped fields in the SNS. Individually each field is considered to be marginal or sub-economic rendering stand-alone activity to appear to be unviable in the current economic climate – as failed in 2014 (as below)

- Ownership is highly fragmented across the fields and previous industry attempts at collaborative development in 2014 stalled due to commercial misalignment
- A number of licences in the cluster were approaching their second term expiry dates in early 2017
- Tie-back of undepleted higher-pressure fields via the existing facilities would result in significant back-out of mature depleted lower pressure fields.
- The OGA revived the initiative in 2016 by commissioning a new techno-economic study to examine potential collaborative solutions

**Benefits:**

- The OGA encouraged partners to come up with collaborative solutions in late 2016/early 2017
- Positive MER UK behaviours were identified from participants who assessed scenarios and demonstrated how a collaborative development could be realised
- The group developed a timeline and milestone plan, which included a study programme of approximately £1 million in value in two tranches – the first is to commence soon ahead of further appraisal activity in 2018
- The OGA aligned licences to a common expiry date, which gave the operators sufficient confidence to commit to a milestone plan. This also provided the OGA with a suitable break-point should these not be met
- The collaborative approach increased scope to leverage economies of scale, and realise savings from group approaches in the utilisation of rigs and vessels and reductions in mobilisation, demobilisation and standby costs

**The collaborative approach meant a suitable route to market could be identified and clusters could be developed unlocking almost 500 billion cubic feet (BCF) and up to £400 million in net present value (NPV).**

## Tier 2 – Central North Sea Area Plan

**Project:** To identify suitable infrastructure and evaluate collaborative development options to MER in the early project stages, and then identify and execute option which delivers most economic return and recovery – Industry led but small in scale

**Summary: Licence extensions were needed for three licences and MER UK workgroup possibly breaking apart due to divergent timelines for crucial decisions**

- In 2015 the OGA requested operators build a common economic model to identify what the best MER UK development concept would be
- Each opportunity has its own independent development concept but a combined development concept through a single host was not initially being considered
- The industry-led project identified that the best MER UK outcome was all three projects choosing the same host solution and being developed together. However realising this is still difficult as operators have different priorities

**Benefits:**

- The OGA has continued to work and input to collaborative development of model with operators. This has clearly demonstrated the greater value available through a collaborative joint development
- Enabled a MER UK optimising scenario to be identified and the project continue at pace
- The chosen scenario has secured a life extension to the infrastructure
- Eliminates one of the unknowns in the Central North Sea (CNS) Area Strategy and should ensure industry's commitment to area does not waiver

**Influencing operators to achieve the option that maximises MER UK will help maximise the NPV; support recovery of the fields; and secure a life extension to the selected infrastructure.**

### Tier 3 – Central North Sea Area Plan

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**Project:** The connection of area production hub to an oil pipeline system

- Tie-in point made available by disconnection programme

**Summary: Fast-track project execution programme required – multiple parties**

- Due to short notice of the pipeline disconnection, less than six month window to plan and execute tie-in works during planned 18-day maintenance shutdown – connection of new valve structure to enable subsequent pipeline tie-in
- Operational programme required system-wide involvement of shippers/terminal – disconnection/connection works performed under ambient pipeline isolation conditions

**Benefits:**

- Cross-party benefits captured through close collaborative working
- The commercial behaviours demonstrated during the project show an embracing of MER UK and that overall value can be increased through collaboration. There was recognition that value for certain parties would be increased, whilst for others it remained unchanged.
- Enabled full offshore work programme to be delivered within time constraints, while securing operational synergies and cost savings
- The approach adopted during the CNS Area Plan is transferable across the industry – a regional approach to problem solving across the value chain

**Securing a long-term oil export route for the production hub**

- Tie-in solution enabled a more complex and costly hot-tap connection to be avoided
- Pipeline export solution facilitates enhanced production uptime performance and reduces fixed operating costs – maximises reserves recovery and long-term value





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