



Oil & Gas
Authority

MER UK Forum Meeting

30th August 2017

List of Attendees – See Appendix 1

Opening Remarks

Andy Samuel, Chief Executive Oil and Gas Authority

- Andy Samuel opened the meeting, he thanked everyone for their attendance and welcomed Richard Harrington, Lord Duncan and Paul Wheelhouse to the first MER UK Forum meeting to be held in Aberdeen.

Richard Harrington, Parliamentary Under Secretary of State Minister for Energy and Industry

- Delighted to be visiting Aberdeen and attending the MER UK Forum meeting for the first time.
- Attending the meeting on behalf of the government and was very keen to listen to industry and hear about their experiences.
- Emphasised that the government fully supports the oil and gas industry and is committed to MER UK.

Lord Duncan, Parliamentary Under Secretary of State for Scotland

- Oil and gas industry still going in UKCS because advances in technology and opportunities have extended the life of the basin.
- Aware that it has been difficult in the last few years.
- There is still a role for government.
- The industry has contributed significantly to the local, Scottish and UK economy and both governments have the same interests at heart.

Paul Wheelhouse, Scottish Government, Minister for Business, Innovation and Energy.

- Delighted to be attending the MER UK Forum in Aberdeen.
- There have been several announcements this year which have been good for the industry. Also mergers and acquisitions ensuring the right assets are in the right hands.
- Scottish government focus is on maximising economic recovery and growing the supply chain.
- Final version of the Scottish Governments Energy Strategy should be published by the end of this year.
- Currently developing the narrative around the low carbon energy mix ensuring that the supply chain benefits from any new economics that stem from this.
- Scottish Government is committed to working with UK Government, the OGA, Oil & Gas UK and industry.

Industry Key Performance Areas

Context – Andy Samuel

- In 2 years 2.1bn barrels have been added to the OGA forecast thanks to the tripartite work of the Industry, OGA and Government.
- Need to ensure going at the right pace to truly maximise the value.
- Asset transfers have been welcomed and reflect the work done to raise confidence and eliminate barriers to investment; the OGA will be looking for the new owners to follow through with their commitments.
- Bringing new life to the basin is very important, good results from the 29th licensing round and it is hoped that the 30th round will also be successful.
- Area plans will be a priority area for the OGA, potential for an additional 4bn barrels across 7 areas, looking for industry to take up these opportunities.
- Reminder on the importance of behaviours.
- Supply Chain Action Plans will be launched later this year.

Exploration – Phil Kirk

- The Exploration Task Force has had several achievements.
- Investment will only be made if the tax regime is stable.
- The task force worked across industry to develop the new Innovate licence, which has been well received by industry.

- Built on the success of 29th round. Have publicised the 30th round internationally and have made far more data and information available to generate interest.
- Exploration is the start of the value chain; success should be measured by how many successful wells have been drilled. Performance has improved over the last few years and far more information is being shared across industry.
- Key will be to turn discoveries into actual barrels, getting into production can be challenging.
- It is essential to recognise the important role the supply chain has in pushing exploration over the line into production.
- It is also important the government do not keep changing the tax regime. The tax regime needs to reflect a mature basin.
- Richard Harrington asked if industry thought that the regulatory regime was fit for purpose.
- The regime for licensing, area plans are all working well.
- It was acknowledged that industry may feel that some of the regulations may be burdensome; the challenge for industry would be to provide examples to government especially as we move through Brexit.

Asset Stewardship – Ray Riddoch, Greta Lydecker

- The Asset Stewardship Task Force evolved from the Production Efficiency Task Force, when this was introduced when production efficiency was 60%, last year it averaged 73-74%.
- Operators have been working far more closely than they have in the past.
- An example was given of shutdowns (where installations were taken out of service for a number of weeks) industry was previously not very good at delivering these on schedule. Cross industry group has developed a guidance document to share best practice.
- An area where there could be big gains is gas compression.
- The OGA's 10 asset stewardship expectations describe what is expected from a first class operator - these were not imposed by the OGA but were developed through collaboration with industry. This is an excellent example of the regulator working with industry to improve business.

Cost and Efficiency – Walter Thain

- The Cost and Efficiency Task Force is focusing on 3 key areas:
 - Cultural Change
 - Standardisation

- Business Processes
- There are over 80 companies involved in the Efficiency Task Force which includes operators and the supply chain.
- The task force has held efficiency road shows to drive the culture change and improve efficiency across organisations.
- They have launched an efficiency Hub on the O&GUK website which has over 100 case studies for companies to learn from.
- They have undertaken subsea standardisation work and developed guidelines which are currently being tested.
- Currently pulling strategies together for 2018.
- Example provided of an operator doing things differently by asking the supply chain to provide the solution rather than dictating how it should be done.

Supply Chain – Neil Sims

- Industry is starting to see some up-turn, however there is still a great deal of concern in the supply chain.
- There is a far greater level of collaboration with operators than previously seen and the supply chain is making a difference bringing barrels into production.
- Decommissioning is an area that has seen a great deal of collaboration, with companies coming together to plug the gaps in capability.
- The Vision 2035 has been helpful in providing a focus.
- The question was asked what more the government could do to help the supply chain.
- It is important that the government recognises the contribution the oil and gas industry makes and helps to promote it both internally and overseas.
- It is important that government understands the UK's capabilities.

Technology – Paul White

- Recognised the support received from both governments.
- Huge progress has been made and themes have already been handed over to OGTC.
- OGTC are doing an excellent job, identifying new ideas for development, there has also been significant support from industry.
- The Technology Leadership board are working on several themes including:
 - Digital
 - Marine Logistics
 - Asset Performance
- Technology will be essential for the future of the basin.

- Question was asked how the OGTC could be helped, should the OGA take a firmer line with technology.
- Operator technology plans are the means by which the OGA can hold operator to account.
- The level of support provided by the supply chain and operators to the OGTC has been encouraging and has created a safe environment to move technology forward.

Decommissioning – Roy Aspden

- A great deal is happening in the decommissioning landscape, which is good for MER UK from a supply and export point of view.
- Examples provided including Brent Delta and AF Decom establishing a decommissioning hub in Dundee.
- There is evidence of cost reduction – The Murchison project is 2 years ahead of schedule and is 15% under budget. Learnings from this project are being shared across industry.
- Another example provided was ConocoPhillips who have seen a 50% cost reduction through campaigning.
- OGA is also undertaking a multi well project.
- 20-30% of decommissioning work is currently going overseas as UK does not have any heavy lift vessels.
- Need to promote activities and expertise overseas.

Industry Concerns – Deirdre Michie

- Industry important to UK now and in the future.
- Significant progress made in terms of competitiveness/efficiency.
- Challenge remains in terms of a gap in fresh investment and drop in drilling activity.
- Certain sectors of the supply chain under significant pressure.
- HMT Driving Investment Plan remains key to industry and industry are looking for commitment in autumn budget on decommissioning tax relief.
- Industrial Strategy is very important to industry as is sector deal. Industry needs to be a key part of Industrial strategy white paper when it is published.
- Brexit concern over timing and a sense of urgency building over looming deadlines.

Sector Deal – Stephen Marcos-Jones

- Indigenous oil and gas production currently accounts for over 75% of the UK demand.

- Need to create long-term value for the UK as we move towards greener sources.
- The industrial strategy aim is 'a global energy industry anchored in the UK, powering the nation and exporting to the world'.
- Links closely to Vision 3035.
- The ambition for the Sector Deal is to 'Extend the life and increase the overall value of the UK oil and gas industry, transforming it for a lower carbon economy.
- Focus areas for the Sector Deal are:
 - Be a global leader in decommissioning
 - Deliver additional supply chain growth
 - Be a global leader in transformational oil and gas technology
 - Reduce UK offshore oil and gas emissions
 - Be a global leader in carbon capture and storage.
- The Industrial Strategy is a top priority for BEIS. Government will be looking for something that is ambitious but can be delivered.

Summary and Close

- Andy Samuel thanked every for their contributions and closed the meeting.

List of Attendees

Richard Harrington, Parliamentary Under Secretary of State, Minister for Energy & Industry
Lord Duncan, Parliamentary Under Secretary of State for Scotland
Paul Wheelhouse, Scottish Government Minister for Business, Innovation and Energy
Andy Samuel, OGA
Gunther Newcombe, OGA
Greta Lydecker, Chevron, Co-Chair MER UK Steering Group
Deirdre Michie, Chief Executive, Oil and Gas UK
Stephen Marcos-Jones, Oil and Gas UK
Neil McCulloch, EnQuest, Co-Chair Oil and Gas UK
Terry Savage, Global Energy Group, Co-Chair Oil and Gas UK
Ray Riddoch, Nexen, Asset Stewardship Task Force
Phil Kirk, Chrysaor, Exploration Task Force
Walter Thain, Petrofac, Cost & Efficiency Task Force
Paul White, BHGE, Technology Leadership Board
Neil Sims, Expro Group, Supply Chain & Export Task Force
Terri King, ConocoPhillips, Decommissioning Task Force
Roy Aspden, CNRI, Decommissioning Task Force
Steve Phimister, Shell, Industry Cultural Change Champion
Melfort Campbell, Imes Group, Co-Chair ILG
Colette Cohen, OGTC
Jake Malloy, RMT
Emily Bourne, BEIS
Wendy Kennedy, BEIS
Campbell Keir, UKTI