



Oil & Gas
Authority

Response to the consultation on the increase to the OGA levy to fund the UK Oil and Gas National Data Repository

The consultation can be found on the OGAs website: <https://www.ogauthority.co.uk/news-publications/consultations/>

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General information

Purpose of this consultation

This document sets out the Oil and Gas Authority's (OGA) response to the consultation on an increase to the OGA levy to fund the UK Oil and Gas National Data Repository. This consultation ran from 10 November 2017 to 8 December 2017.

Consultation reference: https://www.ogauthority.co.uk/media/4383/ndr-and-levy-consultation_10-november-2017.pdf

This response issued: 03/04/2018

Territorial extent

The offshore petroleum-licensing regime has UK extent. Offshore petroleum licences are awarded for areas in the UK's territorial waters and the UK Continental Shelf.

Additional copies

Other versions of the document in Braille, large print, audio or Welsh can be made available on request. Please contact us using the 'enquiries' details to request alternative versions.

Quality assurance

This consultation has been carried out in principle with the government's consultation principles.

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

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Email: ogaconsultationcoordinator@ogauthority.co.uk

Introduction and background

This document sets out the OGA's response to the consultation on an increase to the OGA levy (the levy) to fund the UK Oil and Gas National Data Repository (NDR). It summarises the feedback received on each of the consultation questions and sets out the OGA's position in consideration of the points raised.

The consultation was conducted between 10 November and 8 December 2017. There were 32 responses from oil industry companies and trade associations. A full list of respondents is given in Annex 1.

The consultation asked for the UK oil and gas industry's view on a proposed increase to the levy to cover the cost of establishing and maintaining the NDR.

The Wood Maximising Recovery Review, published in February 2014, stated: "the ready access to timely data is a prerequisite for a competitive market and this is even more important in an industry which relies on good data to create value".

The OGA's vision, as set out in its Information Management Strategy¹, is to create an environment where information and data can help maximise the value created by industry and achieve maximum economic recovery from the UK.

In its Activity Plan 2017 and 2018, the OGA stated its intention to implement an operating model for the NDR, to improve access to offshore petroleum-related information. To deliver an effective NDR in a short timeframe the OGA intends to build on an existing digital data repository operated by Common Data Access Limited (CDA), a wholly owned subsidiary of Oil & Gas UK, which is a trade association for the UK offshore oil and gas industry, by initially establishing a contract with CDA. The OGA plans to enter into a contract with CDA for the provision of NDR services, based

on the existing UKOilandGasData.com data store and the existing legacy data collection, as the first phase of an NDR. The contract will have a two-year duration. During that time, the OGA will optimise services to better align with MER UK and better manage data compliance. Some improvements will be enabled for the commencement of NDR services in January 2019 while others will be phased in during the contract.

The OGA intends to conduct a tender in accordance with UK and EU public procurement regulations for NDR services, with a planned contract award in mid- 2020 and an expected service commencement in January 2021.

The OGA proposed a 'small fee', which was to be 'kept at a minimal level' for non-levy payers to access disclosed data. It is the OGA's belief that wide access to disclosed data will contribute to the OGA's Principal Objective of "maximising the economic recovery of UK petroleum (MER UK)². As such, the OGA proposed this fee only to cover costs and where necessary moderate the demands on the NDR service that may affect other users.

Summary of responses received

There were 32 responses to the consultation. One respondent elected to not respond to Question 1 and another did not respond to Question 2.

In answer to Question 3, relating to current membership of CDA, respondents provided the following information:

Full member - 9
Associate member - 2
Not a member - 16
Don't know - 1
Trade organisations - 3
CDA / Oil & Gas UK - 1

¹ <https://www.ogauthority.co.uk/news-publications/publications/2016/information-management-strategy/>

² <https://www.ogauthority.co.uk/news-publications/publications/2016/maximising-economic-recovery-of-uk-petroleum-the-mer-uk-strategy/>

Details of responses received

Q1. Do you agree with the OGA's proposal to fund a UK National Data Repository through the levy?

Of the 31 responses to this question, 28 respondents supported the proposal to fund the NDR through a levy, 11 of those however, raised additional points that they asked the OGA to consider. Whilst such responses are not directly relevant to the scope of the consultation question, the OGA considers them noteworthy. The points can be characterised as follows and are described in more detail below:

- The collaborative nature of the current UKOilandGasData.com arrangement should continue (5 respondents)
- Users should continue to receive the high levels of support they currently receive when using UKOilandGasData.com services and should continue to have control over data quality (3 respondents)
- Some form of industry steering / governance should continue (3 respondents)
- That the proportion of the levy used to fund the NDR is ringfenced and / or is transparent (5 respondents)

Three respondents disagreed with the proposal, two were levy payers and the other was not.

Of the two levy payers who disagreed with the proposal, one responded that they supported the concept of the NDR, though not funded via the levy. The other respondent was concerned that funding the NDR via the levy would result in a disproportionate increase in costs for the majority of levy payers.

The other respondent who disagreed with the proposal supported the concept of the NDR, but stated it should be funded from central government.

Comparisons were made by some respondents between the OGA levy model and the model used by CDA to calculate its membership fees.

The OGA levy is charged to offshore petroleum licence holders and is payable annually to meet the costs incurred by the OGA in carrying out its functions, as well as costs incurred by the Lord Chancellor in connection with the provision of Tribunals to consider appeals against the decisions of the OGA.

The levy is distributed across licensees, based on the following: (a) holders of offshore petroleum licences that are production licences producing petroleum (or having received all necessary consents and approvals to do so) pay the production levy rate and (b) holders of offshore petroleum licences that are either exploration licences or production licences that are not producing petroleum, (or have not received all necessary consents and approvals to do so) pay the non-production levy rate. Micro-enterprises holding promote or innovate licences, in certain circumstances, qualify to pay the non-production levy at discounted rates. Where the licensee is more than one person, all of the licence holders are jointly and severally liable for payment of the relevant levy, and the OGA sends the levy invoices for each licence to the relevant licence administrator.

By contrast, CDA full members pay a flat fee, plus a variable fee based on their current well 'ownership' count and an additional flat fee for those companies who are 'Seismic Data Collection Participants'.

The OGA also notes that there are companies paying for full CDA membership, who have no UKCS licence interests³, whereas other companies accessing the CDA data collection pay a relatively small CDA membership fee due to the fact that they own no or few wells.

Two respondents stated they thought the cost of the NDR should relate to data volume stored. Three others asked that the cost was kept neutral, though they did not state if this was neutral to their organisation or to industry to a whole.

Five respondents suggested that the cost of the NDR should be ring fenced to ensure the funding is used for the NDR.

Continued support, control of data quality, collaboration functionality

A number of respondents highlighted positive aspects of the CDA data repository and agreed with the proposal to fund an NDR through the levy, in the expectation that those aspects of the current services would be continued. Five respondents emphasised the value of the collaborative nature of the CDA data repository in that it enables its users to share data with their co-licensees and others. Three respondents requested that the current levels of support and control over the quality of the data be continued.

Industry governance

Three respondents asked for some form of industry governance or steering of the NDR services, similar to that currently employed by CDA, to be continued.

Relief from retention

Three respondents asked for relief from having to retain data that had been reported to the NDR.

Inclusion of onshore data

Two respondents suggested the inclusion of onshore, as well as offshore, data.

³ Companies continue to pay membership of CDA since non-membership would mean their data would need to be removed from the collection and would become 'unreported'.

OGA Response

The OGA considers the response to this question to be very supportive of the proposal to fund an NDR through the OGA levy.

With respect to funding the NDR through the levy, it is the OGA's view that companies currently holding petroleum licences are best placed to derive value from the legacy data. Consistent with this, and in line with the principle across regulation and service delivery of 'user pays'⁴, where the regulator recovers its costs from those benefitting from its services, the OGA considers that current licensees should pay for the NDR. The cost of hosting the legacy data (storage fee) is expected to be a relatively small proportion of the overall cost of the NDR, relative to the costs of running the services, including data accession, download and compliance management, all of which relate to current licensees rather than those who have historically reported data some time ago.

Therefore, the OGA plans to enter into a contract with CDA to implement a truly 'national' data repository. The OGA will strive both to continue and to improve on the excellent services provided by CDA for over 22 years. It is intended that support services will continue and collaboration between users will improve, as all levy payers are included in the user model. As the OGA initiates work to ensure compliance with reporting requirements, data volumes, completeness of data and improvements in such data quality are expected to increase.

The OGA proposes to establish an NDR advisory committee that will assist the OGA and NDR users to plan and prioritise improvements in the NDR functionality and the quality of services and data. However, the primary function of the NDR is to act as a repository for data

that is reported under a statutory obligation. The OGA is open to the views of industry, however it would not be appropriate for the advisory committee to control the NDR. The OGA believes that the NDR will play a significant role in supporting the principal objective of "maximising the economic recovery of UK petroleum" (MER UK) as set out in the Petroleum Act 1998 (as amended) and therefore industry and the OGA have aligned objectives with respect to the NDR.

Regarding relief from the obligation for offshore licensees to retain information and samples following satisfactory reporting, the OGA intends to address this matter in its response to the OGA's consultation on proposed regulations for the retention and disclosure of information and samples⁵. The OGA aims to publish that consultation response in April 2018.

Onshore data is not in scope of this consultation, however the OGA will consider this matter further in the future.

Regarding ring fencing the cost of the NDR, the Energy Act 2016 enables the levy to be raised to cover certain costs, however it does not provide for ringfencing of the levy for specific purposes. The OGA is committed to setting the levy in a fair and transparent manner and will continue to seek best value for money in all its activities, including NDR services. The OGA's intention is to only use the additional levy raised to fund the NDR services. The OGA is required to return any unspent funds to levy payers.

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/686462/MPM_2018.pdf

⁵ <https://www.ogauthority.co.uk/news-publications/consultations/2017/proposed-regulations-for-the-retention-and-disclosure-of-information-and-samples/>

Q2. Do you agree with the imposition of a small charge facilitated by CDA, to allow non-levy payers to access disclosed data?

Of the 31 responses, 25 supported a small charge to allow access to disclosed data.

Of the six companies who disagreed, there were two differing opinions. Five respondents felt that disclosed data should be made available at no charge, whereas the remaining respondent said that commercial companies were making generous profits and suggested a percentage of these profits should go to fund the NDR.

Three respondents stated that the fee, charged to allow access to released data, should not be too small, but instead 'real' or significant. In other comments, respondents stated that charges to non-levy payers should be used to offset the charges to the levy payer.

Eight respondents specifically said the fee should be small or nominal, with a further six suggesting access should be free of charge. A total of 12 respondents (39%) specifically stated the fee should be small or free of charge.

Three respondents suggested that the data should be disclosed (following a period of confidentiality) under an Open Government Licence or that the use of the data should be 'open'.

OGA Response

The OGA considers that, in support of MER UK, it is appropriate to make available as much information as is practical to industry, academia and research organisations.

The OGA believes that measures will need to be put in place to ensure that the NDR services are not misused such that it has a detrimental effect on the efficacy of services provided to levy payers. Those measures could be technical or financial. Additionally, the OGA considers it appropriate that the associated administrative costs incurred by the service provider, when providing services that require time and materials, can be recovered from non-levy payers.

The appropriate measures and/or charges have yet to be determined, however, the OGA's prevailing consideration will be to ensure that any such charges do not present a barrier to those entreating a genuine desire to add value to the UKCS.

The OGA notes that levy payers will also benefit from access to "value-added" data, where consultancies conduct studies on disclosed data, often using niche skills and competencies not present in all licensee organisations, and make their products available through their own commercial channels. Outside investment in the UKCS and new partners may also be attracted to the UKCS, as more data and value-added data products become available.

Conclusion and next steps

On the basis of the responses to the consultation the OGA considers that there is support from industry for the proposal to increase the annual levy to fund the establishment and operation of the NDR. It is the OGA's intention to establish a contract with CDA to provide services based on the UKOilandGasData.com platform and its legacy data set. The OGA means to work with CDA to adapt the existing solution to support the evolving regulatory requirements in relation to petroleum-related information and samples. The NDR is intended to support regulatory compliance through the reporting of information and samples, as well as collaboration across industry. The OGA proposes that the NDR will serve as the platform, from which data that the OGA is entitled to disclose, is disclosed, in turn, creating opportunities for innovation and increased use of UKCS information and samples by the widest possible user community.

Since the levy is an annual charge, made at the start of each charging period (1 April), the funds to establish and maintain the NDR from January 2019 will be included in the 2018/19 levy (including a pro-rated amount for the year). The invoices for the 2018/19 levy will be issued in April 2018.

Impact Assessment

The proposal to fund the provision of the NDR by increasing the levy will not impose new costs on the UK offshore oil and gas industry. It is intended that the increase in the levy will be offset by the removal of a similar cost reflecting the aggregate of the fees currently paid to CDA by its members and the costs incurred by non-CDA members to satisfy reporting and retention requirements for licence data. The net result for the provision of services is therefore intended to be cost neutral, albeit with Value Added Tax (VAT) added.

Annex 1: list of organisations that responded to the consultation

Below is a list of organisations that responded to the consultation.

List of respondents to the Consultation on a proposed increase to the OGA Levy to fund the United Kingdom Oil and Gas National Data Repository
Analysis Logic Ltd
Capturing the Energy (University of Aberdeen)
CGG Services (UK) Ltd
Chevron North Sea Ltd
Company who wished to remain anonymous
ConocoPhillips (U.K.) Limited
DeepSky Consulting Ltd
ENGIE E&P UK
Independent Data Service UK
INEOS Breagh
Moveout Data Seismic Services Ltd. / Amazon Web Services / Osokey Ltd
Oil & Gas Independents' Association
Oil & Gas UK and Common Data Access Limited
Operational Excellence (OPEX) Group Ltd
Paetoro Consulting UK Ltd
Perenco UK

PetroStars SPX Ltd
Premier Oil Plc
Private individual
Redburn (Europe) Limited
Robert Gordon University
Scottish Enterprise
Sensalytx Ltd
Statoil (U.K.) Limited
Summit Exploration and Production Limited
TAQA Bratani Ltd
Target LLC
The Oil and Gas Technology Centre
UK Onshore Geophysical Library
University of Aberdeen
Wood Plc
Xodus Group Limited

