



Oil & Gas
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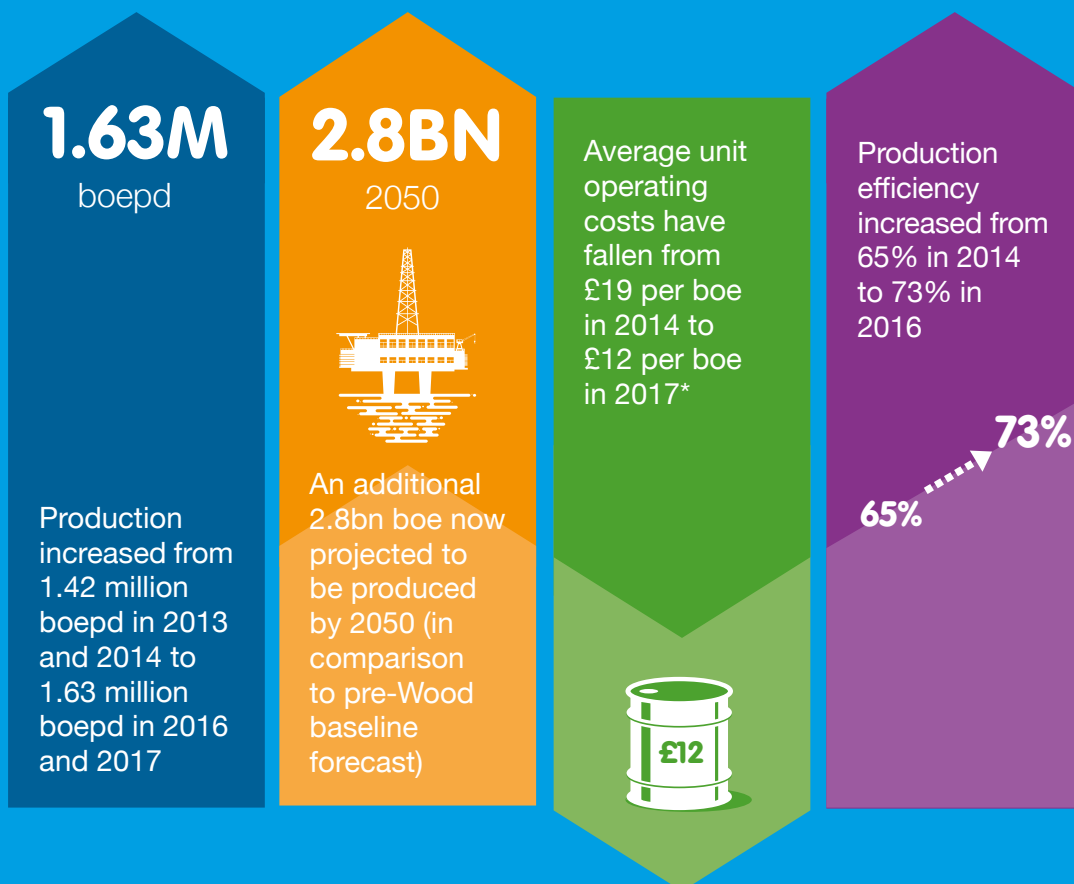
MER UK Forum Steering Group and Task Forces



Annual update 2017

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* provisional data



Andy Samuel

Chief Executive, OGA

Welcome to the second annual update summarising the work of the Maximising Economic Recovery (MER) UK Task Forces and the MER UK Steering Group which report into the MER UK Forum. These groups play a vital role in helping to deliver MER UK and have made a substantial contribution to the transformation in UK Continental Shelf (UKCS) performance, making the region more competitive as a result.

The task forces and their sub groups continue to add significant value for our industry right across the life cycle, navigating through some of the toughest times our sector has faced.

The Exploration Task Force has supported the OGA on the 30th Offshore Licensing round and the forthcoming 31st 'Frontier' Licensing round to ensure that a truly substantial and targeted package of regional analysis and seismic data are freely available, helping to support effective decision making.

The Technology Leadership Board has worked collaboratively with industry and the Oil & Gas Technology Centre (OGTC) to ensure new technologies are getting off the ground into development and deployed, with asset integrity inspection technologies, just one of many great examples. We cannot over emphasise the role technology plays in achieving MER UK and it's impressive to see such tangible progress being made so rapidly. The Efficiency Task Force launched their Efficiency Hub which serves as a one stop gateway to guidelines, information and tools and has over 100 case studies highlighting practical measures which are changing old practices and finding new efficient ways of working. You can read about many more excellent examples of innovation and good practice later in this report.

Moving into 2018, it's crucial that the extensive work and progress being made by these groups is acknowledged and shared with the sector.

We recognise that participation in the task forces represents a significant time commitment, over and above the normal day job. We appreciate the dedication and expertise of every individual and the companies involved. We also value the excellent work being carried out by sub-groups and their contributions in the collective effort to rejuvenate the UKCS – which is leading to increased confidence and confirming the basin as attractive for existing and new investors.

I hope you find this update useful. We look forward to updating you on many more achievements as we work together to maximise value from the significant remaining potential across the UKCS.



Greta Lydecker

Managing Director Chevron Upstream Europe

The work of the MER UK Task Forces has progressed over the past year with a notable shift focussing on accomplishing a few critical actions and ensuring the priorities are well aligned with the OGA priorities and the Industry's Vision 2035.

Of the oil and gas jurisdictions globally, the UKCS is a unique environment where the regulator and industry - both operators and supply chain - come together to align on the common objective of maximising economic recovery of the oil and gas resources for the good of all stakeholders.

The Steering Group works closely together throughout the year to monitor progress of the task forces. It also has a key role in carrying the voice of the industry to government, providing our ministers and other key government officials with a view of the industry's contributions, current priorities and future strategic path. This in turn helps create alignment and momentum for forward looking initiatives like the proposed Offshore Oil & Gas Sector Deal that can play a significant part in enabling the sector to capture the opportunities of the future.

We are pleased to report out on the progress made in each of the task forces as well as the groundwork for further collaboration via the Cultural Change Champion.

Overview

MER UK Forum

The MER UK Forum brings together the OGA, government and industry. It is the principal platform for driving tripartite action in support of MER UK and maximising UK value from the oil and gas industry as a whole.

The objectives of the forum are:

- Encourage discussion between government, industry and the OGA
- Provide strategic direction, oversight and support
- Drive alignment, accountability, action and delivery on priorities

In August 2017, the MER UK Forum was held in Aberdeen for the first time and included strong government participation from Richard Harrington (Parliamentary Under Secretary of State for Energy and Industry), Lord Duncan (Parliamentary Under Secretary of State for Scotland) and Paul Wheelhouse (Scottish Government Minister for Business, Innovation and Energy).

Acting on feedback received from industry, this meeting followed a new format introducing a smaller more efficient membership, allowing for more focused discussions. The constructive meeting covered priority issues including exploration, production and asset stewardship, efficiency, supply chain, technology, decommissioning and the industry Sector Deal proposal.

Steering Group

The MER UK Steering Group was established and met for the first time in January 2017. The steering group has oversight of and co-ordinates the work of the six MER UK Task Forces, ensuring there is no duplication or gaps in the work they are undertaking and that task force activities support the achievement of MER UK.

Additionally, they have an important role in reviewing important strategic matters such as the proposed Sector Deal, collaboration and senior level OGA/ industry engagement. This ensures that key topics are discussed at the MER UK Forum, ensuring government ministers are fully engaged on the most important topics relating to the UK's oil and gas industry and MER UK.

The steering group has 13 members which include the industry leads of the MER UK Task Forces, the Cultural Change Champion, representatives from the OGA and Oil & Gas UK (O&GUK). It is co-chaired by Andy Samuel, OGA and Greta Lydecker, Chevron.

When participating in the steering group, members represent the UK oil and gas industry as a whole and not their individual companies.

Minutes from both the steering group and forum meetings can be found on the OGA website (www.ogauthority.co.uk).

MER UK Steering Group Members

Industry

- 1. Greta Lydecker**
Co-Chair, MER UK Steering Group
- 2. Nick Terrell**
Chair, Exploration Task Force
- 3. Jon Graham**
Chair, Asset Stewardship Task Force
- 4. Phil Simons**
Chair, Efficiency Task Force
- 5. Bill Dunnett**
Chair, Technology Leadership Board
- 6. Terri King**
Chair, Decommissioning Task Force
- 7. Neil Sims**
Chair, Supply Chain and Exports Task Force
Co-Chair, Oil & Gas UK
- 8. Steve Phimister**
Industry Cultural Change Champion

Oil & Gas UK

- 9. Deirdre Michie**
Chief Executive, Oil & Gas UK
- 10. Ray Riddoch**
Co-Chair, Oil & Gas UK

OGA

- 11. Andy Samuel**
Chief Executive, OGA
- 12. Gunther Newcombe**
Operations Director, OGA

MER UK Task Forces/Industry Cultural Champion

There are six MER UK Task Forces, each led by an industry representative, with support from the OGA, O&GUK and representatives from across industry. Each task force is supported by functional working groups that focus on core areas where they are making a positive impact.

Now well-established, the task forces and their related work groups are important vehicles for driving innovation and improvements in support of MER UK, examples of this are highlighted on the task force pages of this update.

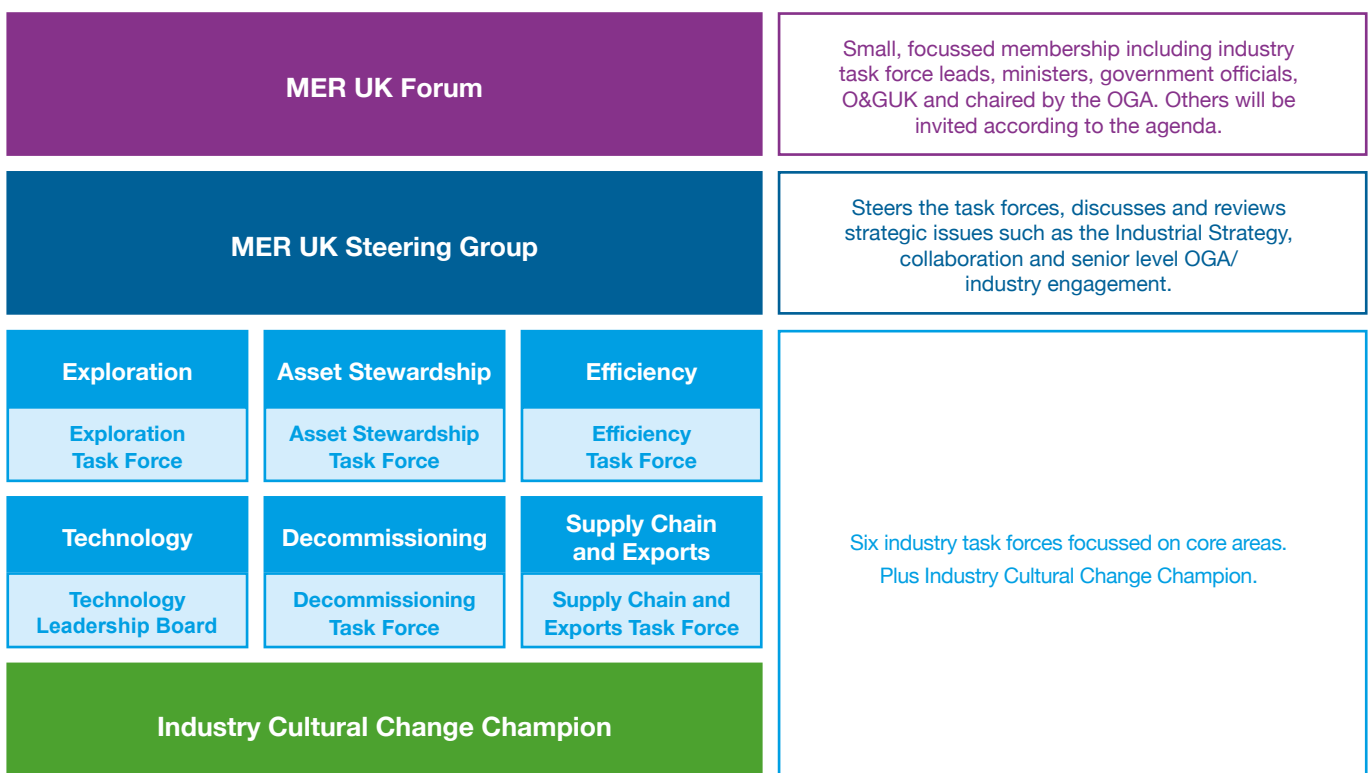
Earlier this year Steve Phimister, VP and Director, Shell UK was appointed Industry Cultural Change Champion. The requirement for cultural change across the UKCS was identified in the Wood Review and while the OGA has seen some excellent examples of collaboration, there are however still some instances of poor commercial behaviours which act as a barrier to MER UK.

The role of the Industry Cultural Change Champion alongside the task force leaders, is to act as a catalyst for behavioural change to embed, sustain and accelerate the cultural change of the industry through the integration, prioritisation and sponsorship of change activities.

Further information

Further information on the MER UK Forum, Steering Group and Task Forces can be found on the OGA website:

<https://www.ogauthority.co.uk/about-us/mer-uk-forum-task-forces/>



Asset Stewardship Task Force

The Asset Stewardship Task Force (ASTF) works to improve asset stewardship in the UKCS by leading three industry work groups which focus on improving production efficiency, enhancing reserves recovery and by sharing stewardship lessons from other high hazard industries.

Highlights

Production Efficiency Task Force (PETF)

- PETF Production Loss Forum and O&GUK Industry Spotlight events were held in 2017; these events shared lessons and best practice, promoted the PETF work groups and highlighted the opportunities for industry.
- The Gas Compression Work Group issued Industry Best Practice Guidelines in July 2017; the guidelines provided key focus areas for operators to maximise compression system efficiency.
- The Terminal Work Group carried out a 'losses' review and commenced UK terminals outage mapping with the aim of identifying focus areas and understanding the risks/opportunities from terminals' interconnections.
- TAR/Shutdown Work Group established innovation interface with OGTC to identify new technology opportunities to reduce TAR losses.
- PETF Steering Group members supported the Technology Leadership Boards Digital & Data Analytics landscaping study through engagement via questionnaires and interviews to ensure expert industry feedback and validation.

Resource/Reserves progression

- A steering group was established with the aim of identifying ways to mirror PETF success, focusing on raising the potential of existing fields and maximising production from existing reservoirs.

Cross industry learning

- Torness Power Station sharing event was held in November 2017, attendees at this successful event included representatives from operators, the supply chain and senior personnel from the nuclear industry. The event was hosted by EDF Energy to increase cross industry knowledge of approaches to asset management, build networks and identify potential synergies.

Polymer Enhanced Oil Recovery (EOR) industry lessons learned

- Six collaborative workshops were held and the information gathered was used to publish a "Polymer EOR starter pack" enabling other operators considering polymer EOR to avoid the pitfalls, improve the framing of business cases and execution of Polymer EOR projects.

Integrity and asset stewardship

- A new Integrity Task Group was established with the aim of identifying stewardship and MER UK related integrity management issues across the industry. The task group is liaising with Step Change in Safety and O&GUK on deliverables to ensure clear responsibilities.

Other

- The OGA Asset Stewardship Strategy Delivery Programme was completed with significant Task Force input.

2018 Priorities

1.	Production Efficiency Task Force (PETF)	Sustain the historic success of the PETF by ensuring its continued access to direction, guidance and support. Provide an industry review of the OGA's 2018 Production Efficiency Report prior to publication and promote industry adoption of the best practice Compression and Shutdown Guidelines.
2.	Resource/reserves progression	Secure additional industry leadership for the Resource/Reserves Progression Steering Group, establish and deliver products to provide a catalyst for licensees to self-manage resource/reserves progression delivery.
3.	Integrity and asset stewardship	Provide direction, guidance and governance to the newly formed Integrity Task Group and monitor its progress towards creation of proposed deliverables and its interfaces with the industry 'Step Change in Safety' initiative.

Decommissioning Task Force

As decommissioning activity increases in the mature UKCS, the Decommissioning Task Force's (DTF) objective is to support industry in minimising the cost of decommissioning with a focus on delivering what would otherwise not be delivered by industry. In doing so the DTF supports significantly reducing the total decommissioning price tag of £59.7 billion, to a target of less than £39 billion.

In 2018, the DTF will continue to add value by establishing KPI's for monitoring industry progress towards the cost reduction target.

Highlights

Early in 2017 the task force membership was reviewed and streamlined, to enable more focus and pace.

Modelling for Cost Reduction workshops were held focusing on five areas: post cessation of production operating expenditure, well plug and abandonment, topside removal, sub-structural removal and subsea.

The Decommissioning Cost Reduction Opportunity Tool was presented at the St Andrews Decommissioning Conference in November 2017. The tool will help companies to understand the main uncertainties relating to the cost of decommissioning. Based on information from current assets in the UKCS, the tool will enable the modelling of implementing different decommissioning approaches and help evaluate reductions in decommissioning costs.

Regulation in Practice workshops were held for the Central North Sea operators. The aim of the workshops was to work through the decommissioning regulatory process and 'road test' interfaces between operators and regulators to identify efficiencies and cost saving opportunities. Learnings from these workshops were shared and integrated into the review of the BEIS decommissioning guidance notes. Building on this success further workshops are being held for the Southern and Northern North Sea.

To avoid duplication the Delivery Capability theme was taken forward by the Supply Chain and Exports Task Force. The Decommissioning Supply Chain Capacity Report will be published in Q1 2018. This report, prepared by Accenture and commissioned by Decom North Sea, Scottish Enterprise and the Oil & Gas Authority, sets out the findings to a study conducted to provide a high-level baseline assessment of the current decommissioning capacity to service UKCS decommissioning demand.

2018 Priorities

1.	Modelling for Cost Reduction	Establish a demonstrable cost estimate range for UKCS decommissioning and identify cost reduction opportunities through consistent estimating methodologies and structure, operator engagement and publishing of cost metrics and benchmark.
2.	Regulation in Practice	Enhance industry understanding of current policies, legislation, and related guidance, and share examples of good practice of cost effective compliance. Hold 4-5 workshops and publish outputs from each, declaring 1-3 top findings to drive cost certainty and reduction.
3.	Communication	Develop and implement a Decommissioning Task Force communication plan. Shape and provide input to major decommissioning conferences, develop stakeholder map and identify DTF interfaces, share success stories on decommissioning cost reduction.
4.	Establish KPIs	Identify draft KPI's for measuring progress against the decommissioning cost reduction target.

Efficiency Task Force

The Efficiency Task Force (ETF) aims to seek out, promote and provide access to efficient practice across the oil and gas industry while maintaining safe operations. Facilitated by Oil & Gas UK, its steering group is comprised of industry influencers committed to improving the sustainability and competitiveness of the UKCS. As the first of its kind globally for any oil and gas province, the ETF builds on informal arrangements already in place between companies by championing good practice and greater collaboration.

The ETF seeks to build on these foundations and drive sustainable change throughout 2018. Specifically, to:

- Contribute towards optimising unit operating costs and global competitiveness
- Optimise business processes including logistics and procurement
- Maximise the impact of existing good practice
- Promote a culture of collaboration and knowledge sharing
- Facilitate alignment of industry efficiency initiatives to avoid duplication and maximise impact

Highlights

The 'Efficiency Hub' was launched, serving as a one stop gateway to guidelines, information and tools. It includes over 100 case studies showcasing practical measures being put into place by industry which are driving efficiency measures.

Positive engagement by industry was officially celebrated at a recognition evening held for the Efficiency Champions network, which now boasts nearly 200 active members who champion innovation and drive change within companies.

More than 50 companies signed up to the Industry Behaviours Charter (signed by Oil & Gas UK and the Oil and Gas Authority).

80 companies represented across ETF projects and activities.

Over 300 downloads of Efficiency Task Force Good Practice Guidelines including: subsea standardisation, compression systems, maintenance and tendering efficiency.

Launch of Efficiency Accumulator – Pulling figures from the O&GUK Business Outlook report the Efficiency Accumulator gives an overview of how well the industry is performing in its mission to become more efficient.

Delivery of seven successful ETF Roadshows throughout 2017, attended by over 500 industry employees.

2018 Priorities

The main project delivery areas continue to fall under the headings of:

1.	Business processes	Promote cross-industry collaboration to improve efficiency in Inventory Management, Procurement, Logistics, Maintenance and Compressions Systems processes.
2.	Standardisation and Simplification	Develop guidelines and tools to promote the simplification and standardisation of Subsea Development Projects and Engineered Products .
3.	Co-operation, Culture and Behaviours	Lead the cross-industry effort to drive improvements in culture and behaviours, by promoting the Industry Behaviours Charter, the Efficiency Champions Network, the roll-out of Efficiency Roadshows across industry and sharing Case Studies on the Efficiency Hub .

Exploration Task Force

The Exploration Task Force (XTF) provides oversight of efforts to revitalise exploration and appraisal activity on the UKCS with the aim of adding reserves and securing longevity of the basin.

The XTF aims to improve the quantity and quality of exploration across the UKCS.

Highlights

A review of the Exploration Managers' Forum (an XTF sub-group) has transitioned the group from being OGA-led to being industry-driven. Meetings will now be held biannually and will be aligned with the launch of licensing rounds and the PROSPEX conference held in London each December.

Work to revise the Yet-to-Find methodology and evaluation of Prospective Resources in the UK's offshore areas has progressed well, with subject matter experts nominated by the XTF providing input to methodology. Final numbers are scheduled to be published in Q4 2018, with a report due in the first half of 2019.

The XTF has a regional study in progress across the East of Shetland Platform and SW Britain areas to support insights into the 2016 government funded seismic data, primarily through studies of the source rock potential of these frontier areas. This study will assist the 12 participating companies with their 31st licensing round applications in 2018.

The UKCS Petroleum Systems Project has been kicked-off as the next stage of the 21st Century Exploration Road Map project, with the initial year funded through an HM Treasury funding allocation, and match funding from industry in the subsequent three years. This project will be industry led and linked to licensing rounds.

The XTF is collaborating with the Technology Leadership board on a Machine Learning project to support exploration activity. A technical workshop was held, with the OGTC issuing a call for ideas on techniques and analyses to identify 'Missed Pay' opportunities in the Northern North Sea. Projects will kick off in March/April 2018.

2018 Priorities

1.	Attracting Investment	Encourage inward investment and raise the profile of UK E&P to potential investors through international trade fairs and targeted approaches.
2.	Deliver Future Activity	Define and publish the range of Yet-to-Find prospective resource potential, and ensure the UK exploration strategy will deliver appropriate drilling and stewardship programmes.
3.	Licensing Rounds	Provide views/input to the OGA on industry requirements for the 31st Licensing Round and stimulate future activity through the UKCS-wide Petroleum Systems Project.
4.	Geophysical Technologies	Encourage the adoption of new geophysical technologies and best practices. Facilitate collaborative research and development activities by disseminating knowledge and linking interested groups.

Supply Chain and Exports Task Force

Since its inception the Supply Chain and Exports Task Force (SC&E) has worked collaboratively across trade associations, government and regulators to highlight and strengthen the capability of the UK oil and gas service sector.

When the UK Government launched the Industrial Strategy, and the concept of Sector Deals, it was recognised that much of the oil and gas industry's response would relate to the service sector. As such it was agreed that the SC&E Task Force was the natural sponsor for this work moving forward, and that this work would become the prime focus for the Task Force members until the outcome of the Sector Deal submission was known. The Sector Deal "task-finish group" was created, bringing trade bodies and important stakeholders together as a working party for the first time. Further information on the Sector Deal can be found on page 13.

Highlights

Instrumental in promoting and highlighting Vision 2035 initiative and the strong positioning and importance of the UK supply chain in making the vision a reality.

Participation from the task force has ensured that the UK Service sector is at the very heart of the Sector Deal.

The task force provided expertise and supported the OGA, in the development of Supply Chain Action Plans, which will ensure that operators engage appropriately with the supply chain in both new field developments and decommissioning projects. This followed road-testing of the process by Chevron, Repsol Sinopec and Premier Oil, which was overseen and monitored closely by the task force.

Relaunch of Project Pathfinder, promoting visibility of future demand, it provides a real-time view of the oil and gas projects for new field developments, and decommissioning of programmes in the UKCS. Project Pathfinder information includes the location, type of development, and timings of business opportunities. It will also incorporate a 'challenge wall' facility to enable operators to post information on specific project technology challenges.

Comprehensive study of UK decommissioning capability and demand resulting in the Decommissioning Supply Chain Capacity Report being published in Q1 2018.

Coordination of messaging – The taskforce worked closely with a number of industry bodies in the sector to ensure, where appropriate, that there is a consistent approach to key messaging and promotion of opportunities – that any gaps were identified and necessary remedial action taken and that any duplication is identified and minimised.

In support of Vision 2035, the task force produced a study which demonstrated the significant opportunities in numerous overseas markets that exist for competitive UK exports.

The task force supported a comprehensive case study undertaken by Petrofac which considered in detail the export opportunities for UK companies in Kuwait.

2018 Priorities

The taskforce's priority for the first half of 2018 is development of the Sector Deal which is then being presented to Ministers. Priorities and focus for the second half of the year will be set when the outcome of the Sector Deal discussions is understood.

Technology Leadership Board

The Technology Leadership Board (TLB) reviewed its structure and organisation, taking account of external changes such as the establishment of the Oil & Gas Technology Centre (OGTC). The decision was taken to focus on more strategic objectives to enable the TLB to provide the single strategic voice on technology for the industry: defining the technology vision and strategy, representing and communicating the technology needs of the industry, and ensuring that strong progress is made in developing and applying technologies across the UKCS in support of MER UK.

The TLB is now a smaller group of core members, complemented by a wider group of subject matter experts and stakeholders as part of delivery workgroups, and is building strong links with the other Task Forces of the MER UK Forum.

Highlights

Following collaboration with the Exploration, Efficiency and Asset Stewardship Task Forces to identify potential ‘game changing’ technologies the TLB initiated three pilot studies to understand the digital technology landscape and the opportunities for their use in the oil and gas industry. These studies, in collaboration with the OGTC are all progressing well. They aim to prove the potential benefit that technology may bring about and engage the wider industry:

- **Exploration** – pilot to apply machine learning to “missed pay” opportunity over thousands of wells in the Northern North Sea (NNS) UK and Norwegian sectors.
- **Marine Logistics** – pilot covering nine operators in a defined area of the Central North Sea.
- **Production** – using advanced sensors, communication and data analytics for predictive maintenance on offshore installations.

The TLB handed over three technology themes to the newly established OGTC:

1. Asset integrity (technologies for non-intrusive inspections)
2. Small pools (enabling technologies for the development of marginal oil and gas fields)
3. Well cost reduction (technologies for more efficient well drilling and construction)

The OGTC has progressed all three themes, with several project competitions (“call for ideas”) run in 2017, and over 20 successful technology projects, including offshore pilots, either concluded or underway.

2018 Priorities

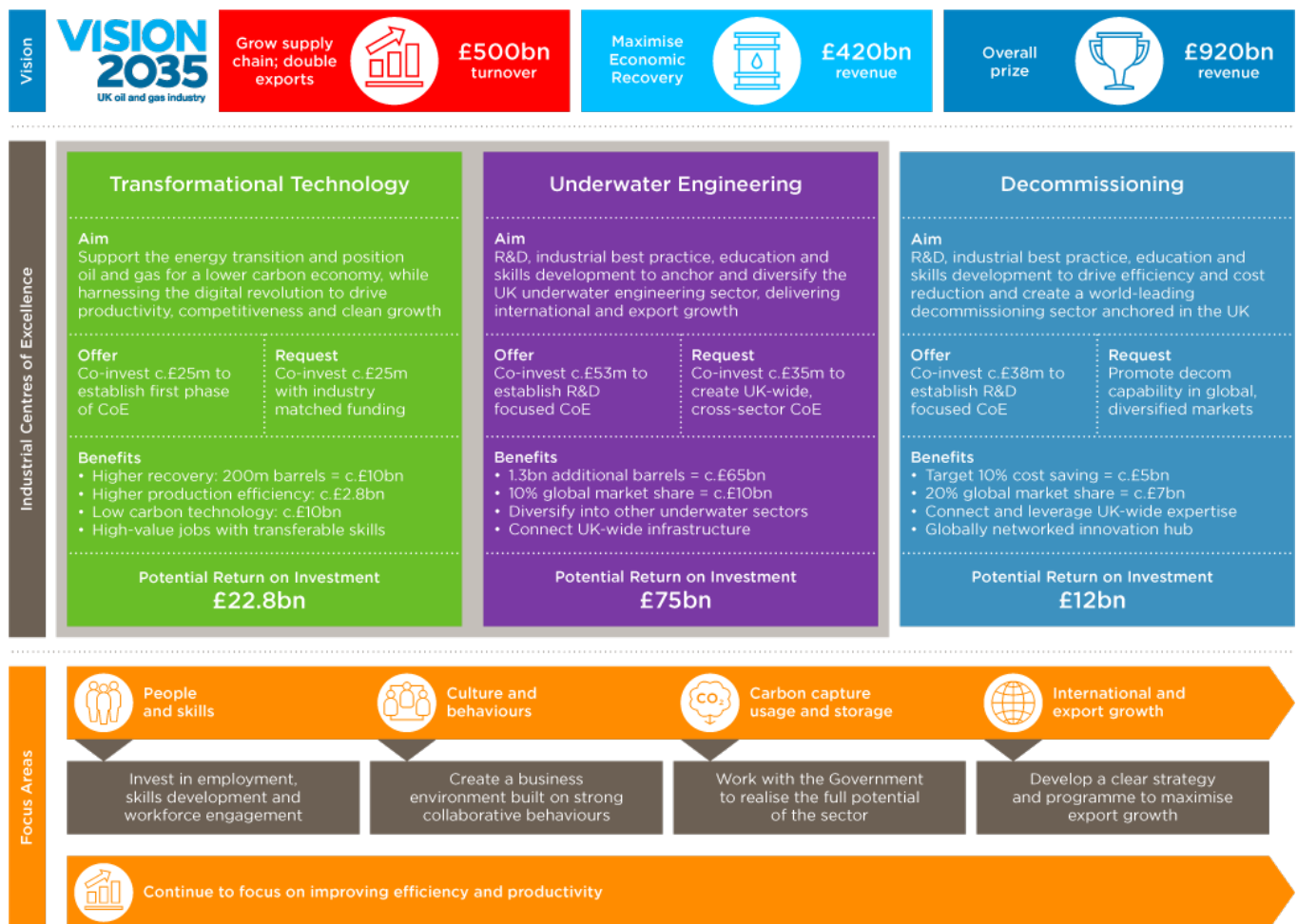
1.	Strategy	Develop an agreed technology strategy for the UK oil and gas industry supporting MER UK and technology export growth, by engaging with the other MER UK Task Forces, the broader industry and critical stakeholders like the OGTC. Pursue synergies across multiple technology agendas, including operators, supply chain, and government.
2.	Monitoring	Measure the success of the industry in developing and deploying critical technologies, and the TLB in steering the industry on that path.
3.	Communication	Communicate TLB’s role and priorities. Actively engage a community of technology leaders across our industry, keeping them informed and engaged to sustain the momentum behind the technology strategy and its implementation.

Sector Deal Proposal

Based on the feedback provided by a wide range of stakeholders, the cross-industry “Task Finish Group” developed a proposed Sector Deal for Offshore Oil and Gas.

This industry led Sector Deal proposal has five main areas of focus, and proposes three new centres of excellence to help deliver the potential of Vision 2035 through a UK-wide network of partners.

Offshore Oil and Gas – Sector Deal Summary



The team have been invited to present their proposals to the Minister of Energy for consideration, and this process was started in March 2018 and will move forward based on the Minister’s feedback and direction.

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