



North Sea
Transition
Authority

Stewardship Expectations Overview

July 2019

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Introduction

1. Stewardship Expectations (SEs) are a key element of the OGA's Asset Stewardship Strategy¹, in support of The Maximising Economic Recovery Strategy for the UK² (MER UK Strategy).
2. In 2016 the OGA published its Stewardship Expectations document setting out ten expectations, coupled with supporting implementation guides.
3. The OGA and industry have learned a lot through working with the Stewardship Expectations for two years, and observed some gaps. In the spirit of continuous improvement, the SEs have therefore been refreshed.
4. A broad cross-section of industry subject matter experts, leadership and industry bodies have contributed to the revised content and focus of these SEs.
5. This document introduces the ten refreshed SEs and provides context for and a precis of how the SEs should be implemented.
6. For further detail, please refer to each Stewardship Expectation document (Figure 1) for clarity on how to deliver on specific expectations, and to understand how the OGA will expect delivery of the expectation to be demonstrated.
7. The Stewardship Expectations have also been updated to:
 - improve clarity as to what the OGA expects industry to deliver;
 - increase focus to drive pace in activity, leading to resource progression; and
 - improve consistency in terms of presentation and tone to ensure all ten SEs provide an integrated package.

- 8. The OGA may review and refresh these SEs at a point in the future as part of continuous improvement and to ensure they remain relevant.
- 9. The SEs are not intended to have a binding legal effect but rather set out for industry, operating across the oil and gas lifecycle, expectations which, if followed, will help to facilitate delivery of the MER UK Strategy^A.

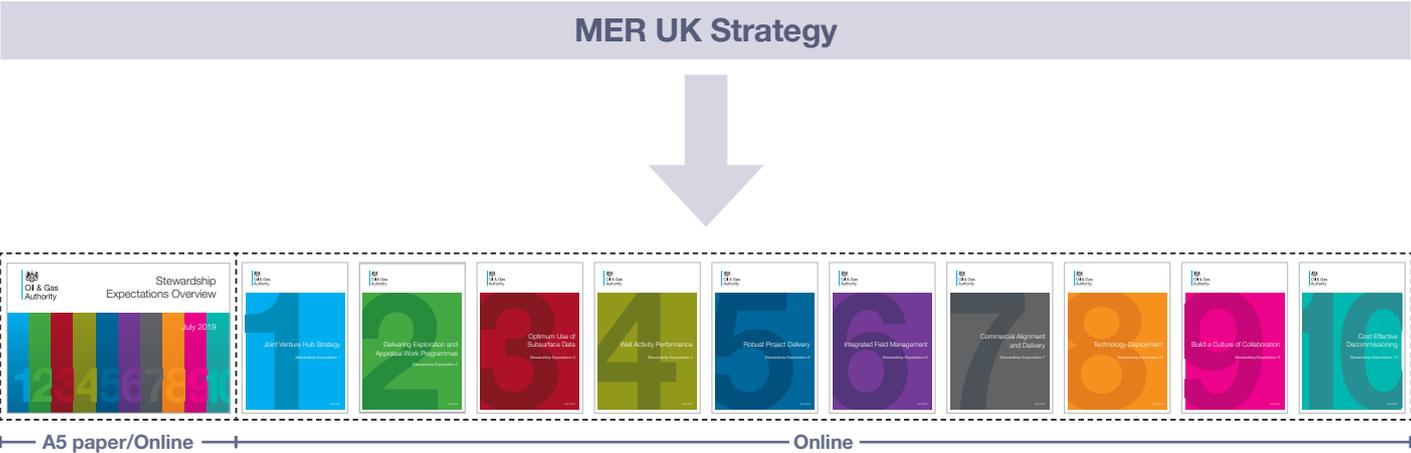


Figure 1: Document structure

^A Where a Stewardship Expectation includes a reminder of a licence or other statutory obligation, such obligation will have binding legal effect.

Stewardship Expectations and why they are required

10. Stewardship Expectations describe how a licensee/operator may meet its obligations set out in the MER UK Strategy. They apply across the whole lifecycle, and the refreshed SEs target elements where the OGA considers the largest MER UK impact can be achieved.
11. Stewardship Expectations are an integral element in the OGA's Asset Stewardship Strategy, with continued strong linkage between them and Tiered Reviews, the Annual Survey and Benchmarking. This integrated package has enabled SEs to gather significant traction across the UKCS.
12. The ten Stewardship Expectations provide clarity on expected behaviours and good practices and may also be a useful reference for parties seeking to enter the UKCS, and for negotiating with existing relevant persons.
13. Effective stewardship means:
 - Asset owners consistently do the right things to identify and then exploit opportunities
 - Assets are in the hands of those with the collective will, behaviours and capabilities to achieve this.Effective stewardship therefore presents a significant opportunity for the UKCS, MER UK and industry.
14. Each Stewardship Expectation has a direct link to paragraph(s) in the MER UK Strategy (Figure 2).
15. In circumstances where a relevant person is not able, or decides not, to recover the maximum value of economically recoverable petroleum from their licences or infrastructure, they should find alternative arrangements to allow others to do so (MER UK Strategy paragraphs 30 to 34); this is particularly pertinent to SE1, SE7 and SE9.

Summary of Refreshed Stewardship Expectations

		The OGA expects....
1	Joint Venture Hub Strategy	Hub owners to have an agreed strategic vision for their hub demonstrating how they will achieve MER UK
2	Delivering E&A Work Programmes	Licensees will plan and deliver work programme activity in the initial licence term in a robust and effective manner
3	Optimum Use of Subsurface Data	Licensees will ensure that business decisions throughout the licence lifecycle are informed by the optimum use of appropriate subsurface datasets
4	Well Activity Performance	Operators will maximise the value of wells throughout the well lifecycle
5	Robust Project Delivery	Operators will efficiently manage a project portfolio and deliver projects to their FDP(A) schedule, cost and production performance
6	Integrated Field Management	Operators are able to demonstrate an integrated approach to the operation of assets to achieve optimum levels of performance and facilitate MER UK
7	Commercial Alignment and Delivery	The adoption and implementation of good commercial practice enabling activity to be progressed in a manner and pace consistent with MER UK Strategy
8	Technology Deployment	Operators to deploy technology where it generates MER UK benefits
9	Build a Culture of Collaboration	Relevant persons will collaborate to deliver MER UK and reduce costs
10	Cost Effective Decommissioning	Operators are able to demonstrate a robust approach to minimise decommissioning costs

A further summary of each of the ten expectations can be found in Appendix 1.

The Role of Stewardship Expectations in Asset Stewardship

16. There are four key elements that together form the basis of the OGA’s Asset Stewardship Strategy:
- Stewardship Expectations – clarity on good practices;
 - Annual Stewardship Survey – data collection (informs benchmarking);
 - Performance Benchmarking – using data to share insights with industry; and
 - Tier Reviews – a structured, tiered approach to engagement between industry and the OGA to ensure engagement with the correct personnel.
17. There are currently four tiers of stewardship review undertaken with industry³. A Tier Review agenda will focus on issues the OGA considers present the greatest stewardship impact. As a result, the Tier Review may address a single expectation, or a range of elements from across the suite of Stewardship Expectations (Figure 3).

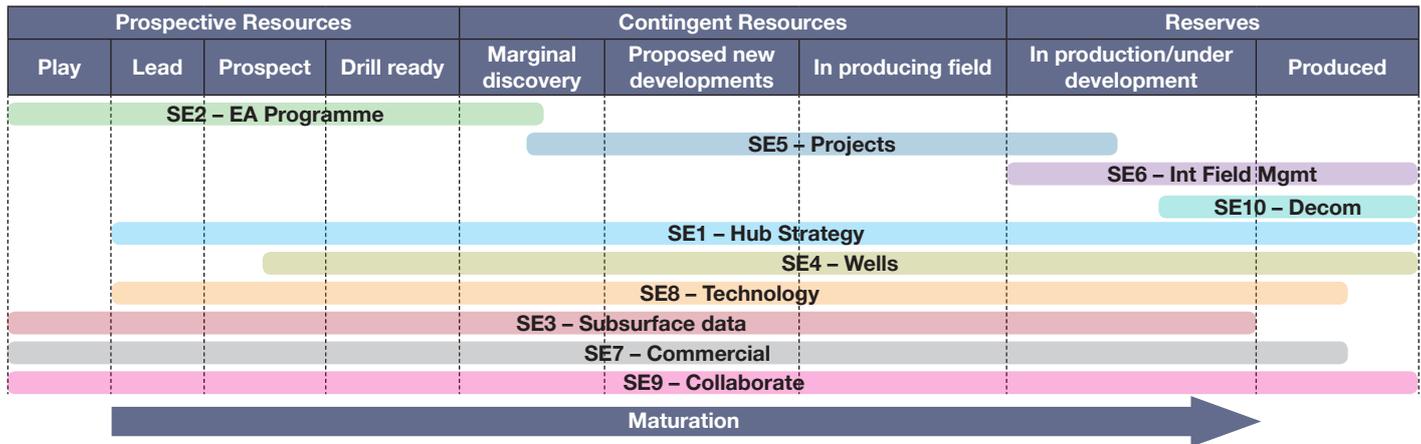


Figure 3: Stewardship Expectations mapped to resource progression

Demonstrating Delivery of Stewardship Expectations

18. The OGA currently engages with licensees and operators on a number of levels and in a number of ways, and information obtained from those engagements will help inform the OGA of the extent to which a licensee, operator or other relevant person^c may be delivering the relevant Stewardship Expectation. These include, for example:
 - (a) the other elements of the Asset Stewardship Strategy: annual stewardship survey, performance benchmarking and Tier Reviews;
 - (b) attendance at JV meetings⁴;
 - (c) requests for information under section 34, Energy Act 2016.
19. Where it considers appropriate, the OGA may seek to improve the relevant person's performance as it relates to particular assets.
20. If, following discussions with the relevant persons, the OGA concludes that a Stewardship Expectation has not been followed, this may lead the OGA to consider whether the approach taken by the relevant person complies with its obligations under the MER UK Strategy.
21. Where an issue may have a MER UK impact and has not been resolved by stewardship, active facilitation^{5,6} may be required. This marks the start of the OGA's measured escalation process.
22. Compliance with the MER UK Strategy is a petroleum related requirement^B and a failure by a relevant person to act in accordance with the MER UK Strategy^D or with the obligations under a licence may be sanctionable under Part 2, Chapter 5 of the Energy Act 2016.

^B 'petroleum related requirement' is defined in section 42(3), Energy Act 2016

^c 'relevant person' is defined in section 18(1), Energy Act 2016

^D Subject to certain safeguards as set out in the MER UK Strategy

References

1. Asset Stewardship Strategy
2. The Maximising Economic Recovery Strategy for the UK
3. Stewardship Review Guidance
4. Statutory Notice: Meetings
5. Enquiry Guidance
6. Sanction Procedure

Appendix 1: Summary of Stewardship Expectations

The summaries in this appendix introduce each Expectation. For clarity and detail on each Expectation, refer to the individual Stewardship Expectation document.

SE1: Joint Venture Hub Strategy

Expectation

The OGA expects hub owners to have an agreed strategic vision for their hub demonstrating how they will achieve MER UK

- Delivery of a Hub Strategy agreed by hub owners
- Appropriate involvement of joint venture partners in the development of a Hub Strategy

Reason for the Expectation

- In general, within joint ventures there is insufficient early, proactive engagement to develop aligned, long-term infrastructure plans
- Ensure strategic vision for hub
- To facilitate the early identification of potential misalignment on infrastructure plans
- MER UK Strategy paragraphs 7, 10, 13, 14, 16, 27, 28 and 29

Delivering the Expectation

- A hub is an offshore production/processing infrastructure to which fields currently or potentially could tie-back, or an onshore terminal and its associated upstream pipeline infrastructure. A Hub Strategy also considers nearby prospectivity and discoveries within reasonable tieback distance
- The operator is expected to have a structured process to develop a Hub Strategy, to engage with its joint venture partners early and throughout the development process
- Documented Hub Strategy to identify value creation opportunities
- Hub Strategies should be refreshed every two years

SE2: Delivering E&A Work Programmes

Expectation

The OGA expects licensees to plan and deliver work programme activity in the initial licence term in a robust and effective manner

- Plan activities, including well operations, in accordance with the milestones and obligations set out in their licences
- Deliver their work programmes, or relinquishments, on a timely basis
- Engage with the OGA in an appropriate and timely fashion at key stages

Reason for the Expectation

- To increase the pace and intensity of exploration and appraisal activity from current low levels
- Avoid slippage: work programmes and timescale for delivery in 'innovate' production licences, are set by licensees at the bid stage
- MER Strategy paragraphs 7, 10, 11, 12, 27 and 28

Delivering the Expectation

- The OGA expects licensees to manage the initial term of the Production Licence (commercial activity, initial term phase transitions, relinquishment), including their legal obligations. This Expectation provides increased support by providing access to relevant guidance in one place
- The OGA expects licensees to engage with, and provide relevant data to, the OGA in a timely manner at each stage of the work programme, including well investment decisions, pre-drill assessments, well operations, post-well evaluations and well suspensions
- The extent to which a licensee meets this Expectation may be considered in any subsequent OGA decision making including requests for licence term extensions or work programme modification

SE3: Optimum Use of Subsurface Data

Expectation

The OGA expects licensees will ensure that business decisions throughout the licence lifecycle are informed by the optimum use of appropriate subsurface datasets and workflows

- Optimum use of geophysical data
- Use of Technical Data Quality Reviews

Reason for the Expectation

- Licensees (and applicants for production licences) have historically not always used the most appropriate subsurface data throughout the lifecycle
- Use of modern sub-surface data licence and techniques is a key component to de-risk wells, improve success rates and maximise ultimate recovery
- Seismic data quality and usage is considered to have the largest impact on driving valid subsurface assessments
- MER Strategy paragraphs 7, 10, 11, 12, 27, 28 and 29

Delivering the Expectation

The OGA expects:

- licensees to be proactive regarding acquisition and integration of new, high-quality data
- a joint venture will normally agree a common subsurface dataset
- a Technical Data Quality Review will be submitted as part of a production licence application, and following licence award, used to support business decisions throughout the licence lifecycle

The Expectation sets out suggested maximum ages of various subsurface datasets.

SE4: Well Activity Performance

Expectation

The OGA expects operators will maximise the value of wells throughout the lifecycle

- Systematic application of measures to impact well activity performance
- Lessons learned, used and shared

Reason for the Expectation

- Well costs are around 50% of development (and decommissioning) capex investment
- Approximately 30% of 2,700 active wells across the UKCS are shut in. Coupled to this, there is a low average intervention and surveillance rate of approximately 14% across the UKCS
- The operator's wells teams can positively influence wells' budgets by consistently delivering on time and at cost, activities that deliver planned resource volumes and safeguard reserves
- MER Strategy paragraphs 7, 10, 13, 15, 18, 19, 21, 27, 28 and 29

Delivering the Expectation

- For each well activity, the OGA expects operators to adopt a selection of proactive measures to support on time and on budget delivery of well activities that meet project objectives
- The OGA expects operators to conduct post-activity reviews and systematically include lessons learned in planning of future well activities

SE5: Robust Project Delivery

Expectation

The OGA expects operators will efficiently manage a project portfolio and deliver projects to their FDP(A) schedule, cost and production performance

- Project portfolio management
- Project organisation, governance, front-end preparation and maintaining value through to execution

Reason for the Expectation

- Improving project performance retains value and therefore supports MER UK
- Across the industry the OGA has observed delays and continual slippage in the delivery of FDPs and submission of applications for development consent within the prescribed licence second term
- MER Strategy paragraphs 7, 13, 14, 18, 27, 28 and 29

Delivering the Expectation

The OGA expects operators to be able to demonstrate project delivery business processes are consistent with:

- The OGA's 'Requirements for the planning of and consent to UKCS Field Developments'
- 'Robust Project Delivery Guidance' (OGUK)
- A recognised collaborative behaviours assessment tool e.g. ECITB

The OGA expects that discoveries should be moved through to FID or the licence relinquished in a timely manner

For each project, operators are expected to demonstrate appropriate governance, organisation and project management, front end preparation, execution in line with PEP and consented FDP, and submit a close out report.

SE6: Integrated Field Management

Expectation

The OGA expects operators are able to demonstrate an integrated approach to the operation of assets to achieve optimum levels of performance and facilitate MER UK

- Reservoir and subsurface management
- Asset and infrastructure management
- Integrated field management plans

Reason for the Expectation

- Pace in activity is required to maximise field value due to critical dependency on ageing and under-utilised infrastructure
- Good stewardship across this infrastructure system, from hydrocarbon reservoir to export
- MER Strategy paragraphs 7, 15, 16, 18, 20, 27 and 28

Delivering the Expectation

The OGA expects the following fundamental elements to be demonstrated:

- Reservoir and subsurface (subsurface data, reservoir performance, subsurface opportunity identification)
- Asset and infrastructure (asset integrity, maintenance, production loss management, threats and opportunity register)
- Integrated field management plans (integrated review and screening of opportunities, integrated planning, integrated information management, linking of screened activities and business planning cycle)

SE7: Commercial Alignment and Delivery

Expectation

The OGA expects the adoption and implementation of good commercial practice should enable activity to be progressed in a manner, and at a pace, consistent with obligations in the MER UK Strategy

Parties can demonstrate that their decision makers have:

- Taken into account their MER obligations in entering into and pursuing commercial activity, and
- Given due consideration to their obligation to collaborate with their counterparties and the OGA

All commercial activity is carried out in a timely manner

Reason for the Expectation

- Poor commercial practices and/or parties' misalignment are causing delay and eroding value
- To support and encourage the adoption and implementation of existing voluntary codes of practice put in place by industry
- MER Strategy paragraphs 7, 8, 17, 26, 27, 28, 30 and 31

Delivering the Expectation

- The OGA expects that commercial activity be assessed, mandated, framed, planned, contracted and reviewed in a timely manner
- Indicative timelines for key commercial agreements are set out in the Expectation

SE8: Technology Deployment

Expectation

The OGA expects operators to deploy existing technology where it generates MER UK benefits

- Technology planning
- Embedding technology in the business cycle
- Widespread deployment of technology in a timely manner

Reason for the Expectation

- Technology deployment remains inconsistent, leaving untapped value across the UKCS
- Deploying existing technology strengthens the market for further innovative technologies
- The pace at which technologies are adopted needs to increase
- MER UK Strategy paragraphs 7, 18, 19, 27 and 28

Delivering the Expectation

Continue to update/develop Technology Plans

Operators are expected to:

- Screen and select existing technologies (from the OGA Technology Insights report) to deploy on their assets
- Include selected technologies in operator Asset Plans and budgets
- Deploy technologies in line with Asset Plans
- Capture lessons learned from technology deployment

SE9: Build a Culture of Collaboration

Expectation

The OGA expects relevant persons will collaborate to deliver MER UK and reduce costs

- Senior leadership commitment to a culture of collaboration
- Proactive involvement in collaborative initiatives and cultural change
- Organisational engagement and training
- Regular assessment of opportunities to learn and share with others
- Review and improvement of processes that assess the impact of collaboration

Reason for the Expectation

- Section 9A of Petroleum Act 1998 (as amended) and a 'required action and behaviour' in the MER UK Strategy
- To improve relationship with the supply chain to improve capability and deliver cost efficiency
- MER Strategy paragraphs 7, 28 and 29

Delivering the Expectation

- At least every two years, conduct and document a joint venture assessment of collaborative behaviour
- At the request of the OGA participate in a collaborative self-assessment using CBQT with the OGA
- The OGA expects relevant industry parties to comply with relevant OGA and industry guidance when creating Area Plans
- The OGA expects operators will participate in:
 - Deloitte UKCS Upstream Supply Chain Collaboration Survey
 - Oil & Gas Pathfinder portal
 - Complete a Supply Chain Action Plan

SE10: Cost Effective Decommissioning

Expectation

The OGA expects operators are able to demonstrate a robust approach to minimise decommissioning costs

- Implement a Decommissioning Strategy, a Plan for Decommissioning, and Execution and Contracting Strategies
- Robust projections of decommissioning cost and performance

Reason for the Expectation

- To support the OGA strategic objective of reducing decommissioning costs by at least 35% from the 2016 baseline by 2022, to minimise the burden to industry and Treasury
- To increase confidence in accuracy of the cost estimate
- To promote supply chain and operator capability (providing direct and indirect benefits)
- MER Strategy paragraphs 7, 20, 21, 27, 28 and 29

Delivering the Expectation

The OGA expects that:

- Operators have a Decommissioning Strategy in place
- At least six years prior to expected CoP of an asset, operators should have a Plan for Decommissioning in place
- At least three years prior to expected CoP, operators should have Execution and Contracting Strategies in place, and communicated scopes with supply chain
- At least three years before each planned decommissioning activity, operators should develop a Class 3 cost estimate
- Annually, operators to share robust projections of decommissioning cost and performance information with the OGA

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