



Oil & Gas
Authority

MER UK Steering Group

6th May 2020

The meeting was held using MS Teams **Welcome**

and Introductions:

- The meeting was opened, the Minister was thanked for attending.
- It was advised that the OGA MER UK Strategy consultation was being launched that morning. The reviewed Strategy integrates net zero into everything the OGA does. The attendees were asked to participate in the consultation which would run for 12 weeks.
- The group were reminded that the priorities had been agreed at the last meeting: to deliver the energy that the UK needs, tackle net zero and deliver Roadmap 2035. Despite being in a very different environment these priorities remained the same.

Government Remarks

- The Minister advised he was delighted to be able to attend the meeting and that he was looking forward to the MER UK Forum meeting on the 11th June. It was timely and important to focus on the substantive issues the industry was facing.
- The sector is very important to the UK for the economic benefits, security of supply and moving towards net zero
- The Minister advised there were three areas he wanted to speak about: the industry's response to Covid-19, recovery for the oil and gas sector particularly through the development of a Sector Deal, energy transition and the net zero target.
- He acknowledged that this was an extremely challenging time, government is very grateful that the industry has responded very pragmatically, the gravity of the situation is fully understood.
- The Minister thanked the workers and their families for following guidance.
- OGA, OGUK and HSE have established solid protocols for reporting Covid-19 issues, the flow of information is central to any response.
- It is clear the low oil price will continue to challenge the sector, even after Covid19 has been dealt with. The supply chain cannot be forgotten, and industry must tighten up standards with regards to payments and contracts.
- There is a need to go further in encouraging the industry to think about the energy transition.

- The Minister is aware a lot of progress has already been made and has been pleased to see some big companies commit to net zero targets. The whole sector needs to be focussed on the challenge of net zero.
- Net zero is at the centre of any dealings the government has with industry, there is no reason why the two objectives of supporting the industry and the net zero target can't be joined.
- There is a commitment to have a sector deal by the end of the parliament, but it is hoped to have something earlier.
- Need to maintain momentum on CCUS and development of hydrogen, OGA will have a role in shaping policy.
- The Minister concluded by stating he was looking forward to the industry's support in order to get to net zero target and in helping to develop the new industries.

Tripartite Response

- Discussion to focus on recovery, net zero and stimulating activity.

Supply Chain

- The Supply Chain and Exports Task Force (SC&ETF) are working on 3 main areas:
 1. Stimulating activity immediately –activity to keep the supply chain anchored in UK.
 2. Support to help the supply chain diversify – through technology or exports.
 3. What will the supply chain look like in the future?
- The OGA has seen approximately 40% of decommissioning projects being deferred and are looking at mechanisms that might help stimulate work and support the supply chain.
- Also looking at maintaining a long-term focus, support for capital projects including net zero projects.
- It was highlighted that all types of activity are seeing curtailment.
- Decommissioning Task Force (DTF) are looking at the feasibility of a campaign approach.
- Need to make sure that decommissioning costs are not increased.
- The SC&ETF have been working with some of the smaller companies. Mapping out how existing technology and expertise can be applied to multiple industries and provide export potential.
- There are existing projects that are starting to move towards net zero. There is a role for supply chain companies of all sizes to come together and act as the facilitator for net zero projects.

CCUS

- Roadmap 2035 shows how the oil and gas industry can contribute to net zero. There is a lot of work already being done, the sector deal can be used as a catalyst. CCUS could form part of the sector deal.

- During discussions the following points were made:
 - Industry is committed to net zero.
 - There is a role for clusters for both CCUS and hydrogen. A good roadmap is needed to kick start the hydrogen economy, reflecting both supply and demand. Investment in infrastructure, transportation and distribution will be essential.
 - The focus for the industry will be how to accelerate and get traction with CCUS and blue hydrogen. The existing government support is very appreciated.
 - CCUS remains part of the core strategy.

Capital Projects

- Companies are continuing to progress capital projects, maximising existing infrastructure is still attractive.
- Adding barrels to existing hubs does remain economic for some companies. There is uncertainty over what will happen to the oil price which makes decision making hard. Net zero projects will continue.
- It was advised that it was very challenging for smaller companies especially exploration companies. Exploration is seen as discretionary spend.
- Exploration must continue to meet the UK's energy requirements.
- Exploration companies have expertise and knowledge that could be transferred to CCUS and hydrogen.
- It must be recognised the net carbon benefit of producing indigenous hydrocarbons against using imports. The OGA has carried an analysis of this which will be published later this year.
- The Minister apologised that he could not stay for the whole meeting, he thanked everyone for their contribution and advised he was looking forward to continuing the discussion at the MER UK forum on 11th June.

Task Force Responses/MER UK Forum

- It was advised that the next two agenda items were being combined.
- It was agreed that discussions should focus on solutions that have a high chance of success and have industry support. The two main topics for discussion at the MER UK Forum will be recovery and net zero.
- Presentations from several Task Force leads followed and the points made in conversation by various Steering Group members are noted below.

Decommissioning

- OGA presently preparing to update progress against the target of 35% cost reduction.
- The DTF are continuing to focus on the risk register to ensure aspirations are realistic and progress is being made.
- Waiting for the official response to the 'Call for Evidence' to ensure alignment with work being done.

- Work will need to be done to ensure the conditions are right for stimulating decommissioning activity.
- Two new workstreams are being taken forward by the DTF:
 1. Liability in Perpetuity
 2. Decommissioning in situ
- It was asked if a stimulus package for well P&A was offered would this be taken up by industry – It may be successful if a pilot project showed that this approach worked.
- It was highlighted that stimulus packages for barrel adding activities to help MER UK may be more beneficial.
- It will be essential for industry to be co-ordinated and fully supportive of any suggested stimulus packages.

Asset Stewardship

- The Asset Stewardship Task Force (ASTF) met in January to discuss how they could contribute to net zero. Several tasks have been identified including developing a Stewardship Expectation for net zero.
- Also looking at how to encourage companies to have net zero plans for their hubs.
- The ASTF are not progressing electrification projects as there is already a lot of activity in the three electrification clusters.
- OGA have also been looking at over 40 capital projects that have been either sanctioned in last 18 month or expected to be sanctioned, with a view to how to stimulate these projects. The pre-sanctioned projects have the greatest scope for stimulus. This could include the need for seismic shoot to help with CCUS through to collaborative cluster development looking to electrify. They are now looking at how to road test ideas with industry.

Exploration

- There may be an opportunity linking base line CCUS seismic acquisition projects to unlocking the challenges with the seismic industry around data release.
- The Exploration Task Force (XTF) met at the start of the current crises and agreed that their priorities remained unchanged.
- Need to look at how planned exploration wells can be preserved.
- It is good to see that the 32nd licencing round announcement will go ahead, it is important for investors to see business is continuing.
- XTF are also looking at the marking scheme for the licence regime and how net zero could be included.
- Pushing to get a conclusion from the NNS machine learning project and pushing data release to get as much data into public domain as possible, this will also support CCUS industry.

Energy Skills Alliance

- There is a very good network of training providers in the UK they will need to be supported over coming months.
- The Energy Skills Alliance is a cross sector group which are focussed on 4 key areas:
 1. Future energy skills demand
 2. All energy training standards
 3. All energy apprenticeships
 4. Integrated stem program
- Will meet later this month to check relevance of the focus areas and to see if any should be accelerated.

Efficiency

- The Efficiency Task Force (ETF) have been focussed on supporting the Supply Chain Principals.
- Roadshows are being done via webinar.
- A problem-solving network is being promoted to find different suppliers and solutions.
- Efficient and good supply chain practice will be key to supporting suppliers through this crisis.
- The OGA have been helping solve issues that have been raised.

Technology Leadership Board

- Currently working on a succession plan for a new co-chair.
- Focus is on getting the industry technology champions in place, their role will be critical in helping to accelerate and unblock deployment of technology.
- A digital technology survey is going out to industry, this will be an opportunity to take this to the next level.
- Also looking at hydrogen and clean energy, building on the work OGTC did last year.

Cultural Change

- The learning session with MD's on the results of the Deloitte survey has been cancelled.
- A session will now be held in Q3 this will be based on recovery, building on what is learnt from the Deloitte survey.
- Work is also ongoing on the 'stuck barrels' a number of workstreams will take this forward.

Maintenance

- A team is looking at Forties Pipeline System as work on this has been deferred into next year. May provide opportunities for the supply chain.

Summary

- It is a critical time for the sector. There is recognition from the Minister and Government of the difficulty the sector is in. Need to look at opportunities available to get through this.
- OGA, OGUK and Government have been working well together and the regular communication will continue.
- The task forces are all focused and there is growing clarity in what OGA and OGUK are doing.
- A request was made to feed in any creative ideas to the OGA and OGUK.
- Some thought needs to be given to re-use of infrastructure as this might be critical to CCUS.
- The meeting was brought to a close and participants were thanked for their contribution.