

<b>Regulator</b>	Oil and Gas Authority
<b>Summary</b>	Summary information provided on measures or activities that should not be considered as a qualifying regulatory provision for the purposes of the business impact target (BIT).
<b>Submission type</b>	Non-qualifying regulatory provision summary
<b>BIT reporting period covered</b>	17 December 2020 to 16 December 2021
<b>RPC reference</b>	RPC-BEIS-OGA-5123(1)
<b>Date of issue</b>	19 November 2021

## RPC opinion

Rating <sup>1</sup>	RPC opinion
<b>Confirmed</b>	The RPC is content with the regulator's assessment of the measures against the exclusion categories in the present BIT framework and agrees that they are non-qualifying regulatory provisions (NQRP).

The Oil and Gas Authority (OGA) has produced a sufficient NQRP summary, clearly indicating regulatory provisions introduced during the BIT reporting period concerned and the administrative exclusion under which they fall.

This includes new, and updated, guidance to clarify the procedures with respect to the regulator's existing powers. The OGA calculates the policy costs associated with the guidance documents on *Net Zero*, supply chain collaboration and co-operation, and the additional requirement for industry to attend six meetings annually by a senior manager and manager from licensees' organisations. The anticipated EANDCB (£0.001 million) is clearly evidenced and uses average wages as the basis of the calculation. The OGA clearly sets out the methodology used and provides estimates for familiarisation costs associated with the new, and updated, guidance documents. It provides the number of affected businesses, applies an appropriate non-wage uplift and calculates the EANDCB to be £0.008 million. However, the OGA could clarify whether the average hourly rate for FTE staff pertains to all employees or to particular roles or pay grades onto which familiarisation will fall.

The RPC is satisfied, and confirms, that these measures are *de minimis* and therefore, categorised correctly as non-qualifying regulatory provisions.

### Regulatory Policy Committee

For further information, please contact [regulatoryenquiries@rpc.gov.uk](mailto:regulatoryenquiries@rpc.gov.uk). Follow us on Twitter [@RPC\\_Gov\\_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](#) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc). To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).

<sup>1</sup> There is presently no requirement for regulators to submit their NQRP summaries for Regulatory Policy Committee (RPC) assurance. The RPC welcomes the regulator's voluntary submission. This RPC assurance statement does not provide a detailed view of any specific activity in the regulator's summary document. Nor does it comment on any activities not included in the summary. Some activities might, however, have been the subject of separate assessments of qualifying regulatory provisions.

## Annex

**Regulator:** Oil and Gas Authority

**Business Impact Target Reporting Period Covered:** 17 December 2020 to 16 December 2021

Excluded Category*	Summary of measure(s), including any impact data where available**
<p>Measures certified as being below <i>de minimis</i> (measures with an EANDCB below +/- £5 million)</p>	<p><b>GUIDANCE DOCUMENTS - FAMILIARISATION COSTS</b></p> <p>The OGA issued new guidance in order to convey and clarify the procedures in regard to its existing powers. The guidance was issued to provide clear, accessible and concise material that businesses can have regard to in complying with OGA's requirements and to support the principal objective of maximising economic recovery of UK oil and gas resources. The guidance is intended to reduce the time taken to understand obligations. The OGA issued the following guidance documents:</p> <p><b>NEW GUIDANCE</b></p> <p><b>1. Stewardship Expectation 11 – Net Zero</b></p> <p>This document sets out how the oil and gas industry should manage existing operations and new developments in order to reduce its greenhouse gas emissions and support delivery of the UK's net zero target. The Expectation supports the OGA Strategy, in particular the Central Obligation on relevant persons that in taking the steps necessary to secure the maximum value of economically recoverable petroleum is recovered from the strata beneath UK waters, to take appropriate steps to assist the Secretary of State in meeting the net zero target. Estimated familiarisation costs incurred by industry in reading the guidance document is set out separately below.</p> <p><b>2. Stewardship Expectation 12 – Supply Chain Collaboration and Cooperation</b></p> <p>The Stewardship Expectation 12 outlines the ways in which companies should collaborate with their supply chain contractors (those providing goods and services to the upstream oil and gas industry) to support the delivery of relevant activities. This is to ensure that the UK has a capable and effective supply chain to meet industry needs through the delivery of UKCS projects and operations safely, on time and in budget. With the exception of one, all expectations and requirements outlined in the guidance have been in place for a number of years as a part of the Field Development Approval (FDA) process. This guidance is intended to set out the expectations in greater detail</p>

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	<p>and clarity for the benefit of the industry operators. This guidance is not a substitute for any regulation, and it does not have any binding legal effect.</p> <p><b>Policy Cost</b></p> <p>The new additional requirement for industry is to attend Collaborative Behaviour Quantitative Tool (CBQT)<sup>2</sup> meetings with the OGA, with specific focus around supply chain expectations. It is anticipated by the OGA that there will on average be 6 such meetings per year with industry. The duration of these meetings is expected to be around 2 hours on average (including preparation) with 1 Senior Manager and 1 Manager<sup>3</sup> from the licensee's organisation. The total policy cost to industry for compliance to this requirement was estimated to be £0.001 million (2019 prices, 2020 present value) in Equivalent Annual Net Direct Cost to Business (EANDCB) terms over the appraisal period of 10 years. Given the current guidance has been updated from the previous guidance, the estimated cost of compliance is within the £5 million EANDCB de-minimis threshold. Estimated familiarisation costs incurred by industry in reading the guidance document is set out separately below.</p> <p><b>UPDATED GUIDANCE DOCUMENTS</b></p> <p><b>1. Requirements for the planning of and consent to UKCS field developments</b></p> <p>This updated document is intended to assist those involved in the planning of a new field development and subsequent consent to an FDP leading to production of first hydrocarbons. The guidance complements the OGA Strategy and stewardship expectations.</p> <p>Estimated familiarisation costs incurred by industry in reading the guidance document is set out separately below.</p> <p><b>2. Updated guidance on the management of offshore licence work programme commitments</b></p> <p>This updated guidance replaces the previous guidance published in 2018 and reflects paragraphs 6 and 7 of the revised OGA Strategy.</p>

<sup>2</sup> OGA CBQT: <https://www.ogauthority.co.uk/exploration-production/asset-stewardship/expectations/>

<sup>3</sup> Source: Provisional ONS Wage Data, Table 14.5a. Corporate Managers and Directors, Chief Executives and Senior Officials

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	<p>This guidance is an update on the earlier guidance and there are no additional policy burdens on industry. Estimated familiarisation costs incurred by industry in reading the guidance document is set out separately below.</p> <p><b>3. Flaring and Venting Guidance</b></p> <p>Consolidated and updated guidance on flaring and venting, which sets out a tougher approach to driving reductions, through clear principles and using the OGA consenting regime and stewardship activity. In cases where this is applicable, and a lower emission option is pursued than would have previously been the case; this would be expected to increase the societal value of projects including consideration of carbon costs. The scale of any such impact would depend on the number and nature of future developments or activities undertaken. Estimated familiarisation costs incurred by industry in reading the guidance document is set out separately below.</p> <p><b>4. Reporting and Disclosure of Information and Samples Guidance</b></p> <p>This edition of the guidance replaces that published in February 2019. It contains various clarifications, updated links and e-mail addresses and, more significantly, revised form and manner requirements for certain data types reported to the National Data Repository (NDR) and directly to the OGA.</p> <p>This guidance is an update on the earlier guidance and there are no additional policy burdens on industry. Estimated familiarisation costs incurred by industry in reading the guidance document is set out separately below.</p> <p><b>Familiarisation costs of new and updated guidance</b></p> <p>Familiarisation costs are incurred by industry reading these guidance documents, which has been summarised below.</p> <p>Analysis was carried out to determine the direct cost to business for familiarisation with the two guidance documents published during the reporting period, mentioned hereafter under the “New Guidance” section. The total cost to industry related to reading the two guidance documents was estimated to be £0.08 million (2019 prices, 2020 present value) in EANDCB terms, over the appraisal period of 10 years.</p>

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	<p>The following methodology was used to estimate costs to business:</p> <p style="text-align: center;"><b><i>Burden to business for familiarisation with guidance =</i></b></p> <p style="text-align: center;"><b><i>Number of businesses affected * Time (hrs) required to read the guidance * Average hourly wage rate (£/hr) * No. of personnel reading the guidance per annum</i></b></p> <p>There is currently a total of 149 unique licensees and 70 infrastructure owners, of which 66 are licensees. Based on this data, it was assumed that 150 businesses may familiarise themselves with the guidance documents as a prudent assumption as they are not expected to be read by all the businesses.</p> <p>To estimate the cost of reading the guidance documents, a consistent methodology was followed, where the document word count is divided by an average reading speed of 200 words per minute<sup>4</sup>. The average hourly wage rates for Full Time Equivalent (FTE) staff were taken from the Annual Survey of Hours and Earnings (ASHE),<sup>5</sup> uplifted by 22% to cover for non-wage costs.<sup>6</sup></p> <p>For each guidance document, a common assumption was used for the number of personnel within each business expected to read the guidance<sup>7</sup>.</p> <p><b>ANNUAL REPORTS AND ACCOUNTS</b></p> <p>Accounts presented to Parliament pursuant to Section 6 of the Government Resources and Accounts Act 2000 (Audit of Non-profit Making Companies) Order 2009.</p> <p><b>PUBLICATIONS AND REPORTS</b></p>

<sup>4</sup> Business Impact Target - Appraisal of guidance: assessments for regulator-issued guidance (p.15), Reading Soft, available at: <http://www.readingsoft.com/>

<sup>5</sup> Personnel ONS (2020), Annual Survey of Hours and Earnings: 2020 Provisional Results Table 14.5 a, available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

<sup>6</sup> Non-wage cost uplift factor of 22% applied using EUROSTAT 2019 data on share of non-wage costs as a reasonable assumption [https://ec.europa.eu/eurostat/tgm/refreshTableAction.do;jsessionid=AHHed2v0cO8klhMbGXpUqqU3Wmktjs1q6AMiC3FCfS\\_RKwKUzscj!-1033115467?tab=table&plugin=1&pcode=tps00173&language=en](https://ec.europa.eu/eurostat/tgm/refreshTableAction.do;jsessionid=AHHed2v0cO8klhMbGXpUqqU3Wmktjs1q6AMiC3FCfS_RKwKUzscj!-1033115467?tab=table&plugin=1&pcode=tps00173&language=en)

<sup>7</sup> Assumptions: 3 Corporate Managers and 1 Senior Manager per business

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	<p>The OGA published the following publications and reports. These documents are for information only and do not set any mandatory activities for industry:</p> <ol style="list-style-type: none"> <li data-bbox="609 341 1375 376"><b>1. 2020 UK oil and gas reserves and resources report</b></li> <p data-bbox="609 408 1294 443">Report on the UK oil and gas reserves in place 2020</p> <li data-bbox="609 475 1057 510"><b>2. UKCS Operating Costs 2020</b></li> <p data-bbox="609 542 1496 577">The report sets out analysis on operating costs in the UKCS in 2020</p> <li data-bbox="609 609 1133 644"><b>3. UKCS Production Efficiency 2020</b></li> <p data-bbox="609 676 1379 711">The report sets out the UKCS production efficiency in 2020</p> <li data-bbox="609 743 1281 778"><b>4. UKCS Decommissioning Cost Estimate 2021</b></li> <p data-bbox="609 810 1666 845">The report sets out the cost of decommissioning UKCS oil and gas infrastructure.</p> <li data-bbox="609 877 1093 912"><b>5. Supply Chain Action Plan 2021</b></li> <p data-bbox="609 944 2089 1050">The Supply Chain Action Plan (SCAP) process is one of a number of ways in which the OGA works with industry to drive a more collaborative and innovative culture to deliver projects. This report highlights some of the successes which are already evident in enhanced project delivery, fully aligning with the OGA Strategy and net zero obligations.</p> <li data-bbox="609 1082 936 1117"><b>6. Bacton Energy Hub</b></li> <p data-bbox="609 1149 2089 1222">This report summarises the main findings of analysis on the potential for hydrogen production, with particular focus on the prospective role for the Bacton gas terminal, and its associated gas fields and nearby offshore wind power.</p> <li data-bbox="609 1254 1594 1289"><b>7. Decarbonising Oil and Gas Production in the UKCS – Case Studies</b></li> </ol>

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	<p>The booklet is an amalgamation of 15 standalone case studies which highlight tangible and specific examples of where oil and gas operators are contributing towards net zero.</p> <p><b>8. Inclusion Report 2021</b></p> <p>This report examines the commitments that were made in the 2020 report and review and what action has been taken. The report also shares some “successes and challenges” relating to inclusion activities. Finally, the report looks to the future and makes clear the new commitments for both the OGA and the industry.</p> <p><b>9. OGA Overview 2021</b></p> <p>Overview of the work of the OGA in 2021</p> <p><b>10. The OGA’s final report on its Thematic Review</b></p> <p>The report considers industry compliance with their regulatory obligations</p> <p><b>11. UKCS Decommissioning Benchmarking Report 2020</b></p> <p>Report providing benchmarking statistics for a wide range of recent UKCS decommissioning activities</p> <p><b>12. UKCS Operating Costs 2019 Report</b></p> <p>Report summarising the costs of operating in the UKCS in 2019</p> <p><b>STRATEGIES</b></p> <p>The OGA published two strategy documents:</p> <p><b>1. The OGA Strategy</b></p> <p>The revised Strategy reflects the ongoing global energy transition and features a range of new net zero obligations for the UK oil and gas industry. The Strategy requires industry to operate in a way consistent with net zero ambitions,</p>

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	<p>lowering production emissions and making serious progress on the solutions that can contribute to the UK achieving net zero.</p> <p>In addition to the net zero obligation, the revised Strategy also requires industry to work in such a way that encourages collaboration with the supply chain and actively support carbon capture and storage projects. The OGA will monitor governance closely and ensure that carbon costs are considered in its regulatory decisions.</p> <p><b>2. Decommissioning Strategy</b></p> <p>This revised Strategy builds on the original Decommissioning Strategy which was published in 2016</p> <p>The new Decommissioning Strategy focuses on four priorities:</p> <ul style="list-style-type: none"> <li>• Planning for decommissioning:</li> <li>• Commercial transformation</li> <li>• Supporting energy transition from late life into decommissioning</li> <li>• Technology, processes and guidance</li> </ul> <p><b>CONSULTATION DOCUMENTS</b></p> <p>The OGA issued one consultation document:</p> <p><b>1. Consultation on proposals to issues OGA Governance Guidance</b></p> <p>Consultation into OGA proposed Governance Guidance as per Supporting Obligation paragraphs 3 and 4 of the OGA Strategy, and which sets out when the OGA will normally consider the adequacy of a licensee’s governance arrangements, and the factors which will usually be considered.</p>
<b>Casework</b>	<b>The OGA approved:</b>



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	<ul style="list-style-type: none"> <li>• 6 Field Development Plans / Addendums (FDP / FDPA) cases for offshore oil and gas fields. The FDP approvals allow operators to carry out new field developments while FDPA approvals are for incremental developments in existing fields to recover hydrocarbons.</li> <li>• During the reporting period there were 20 sanctions, disputes or infrastructure access cases resolved without formal intervention. There was one formal sanction taken.</li> <li>• 176 Field consents (including production, venting, and flaring) were issued</li> <li>• 430 offshore licence events including Pipeline work authorisation relinquishments, transfers and terminations took place</li> <li>• 29 onshore licence events including relinquishments, transfers and terminations took place</li> </ul> <p>The casework listed in this section does not represent a change in burden of regulation placed on business.</p>
<b>Education, communications and promotion</b>	<p>The OGA has presented its work at various workshops and conferences including: Offshore Europe, Geological Society, and the OGUK Exploration Conference</p> <p>None of the material produced creates a new regulatory standard that business will be expected to follow and attendance at educational and promotional events is not compulsory</p>
<b>All other excluded categories</b>	<p>Following consideration of the other exclusion categories there are no measures for the reporting period that qualify for the exclusions.</p>

\* For detailed guidance on the exclusion categories, please see <https://www.gov.uk/government/publications/better-regulation-framework>

\*\* Complete the summary box as 'Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.' where this is appropriate.