



17 May 2022

Dear Licensees,

Consultation on NSTA approach to Offshore M&A Transactions

The North Sea Transition Authority (“NSTA”) is committed to encouraging investment in oil and gas operations and in energy transition projects, including removing barriers that may arise from the processes surrounding or the conclusion of M&A transactions.

The UKCS has a rich history of successfully welcoming new investors to the basin. These investors have brought new capital, new ideas and new vigour; the NSTA wants this to continue. However, the NSTA recognises that it is necessary to balance the advantages of a liquid market for the ownership of assets with the need for co-venturers to have confidence in each other’s ability to meet their commitments. We believe that both are required to enable efficient resource progression and to support the UK’s energy security, consistent with the [OGA Strategy](#) and the [North Sea Transition Deal](#).

Increasingly, the NSTA is being contacted by both current licensees and potential investors frustrated by challenges they encounter either during, or as a result of, licence assignments or licensee changes of control. Concerns relate to matters such as:

- the potential for operational activities and capital projects to be hindered;
- delays in the completion of transactions;
- perceived increased exposure to decommissioning expenditure;
- potential accelerated timing of decommissioning provision; and
- the impact of existing co-venturer approval requirements that tie-up capital that could be used productively elsewhere in the basin.

In response, the NSTA will launch a consultation this summer intended to inform guidance setting out how the NSTA expects co-venturers to approach M&A transactions and what conditions co-venturers can reasonably put on their consent to transactions. We expect this to go further than the various documents that have been published in recent years by ourselves and Offshore Energies UK (‘OEUK’), such as [Stewardship Expectation 7](#) on Commercial Alignment and Delivery and [Transactions Best Practice](#).

Ahead of the formal consultation, the NSTA will be holding framing sessions in London and Aberdeen to which all licensees are invited.

At those sessions, licensees will have the opportunity to share their thoughts and experiences in a round table format on several key questions, including:

1. Do licensees believe that the current customary, contractual or regulatory arrangements strike the right balance between liquidity in M&A markets and preservation of investor confidence, to maximise investment consistent with the OGA Strategy and the North Sea Transition Plan?
2. If not, what needs to change?
3. Can any or all these changes be wholly or partially brought about by self-regulation?
4. If not, what, if any, role do you see for NSTA guidance in this area?
5. If the NSTA does publish guidance in this area, should the guidance be principles-based or would a more prescriptive approach be preferred?

The aim of the framing sessions will be to engage in an open conversation that will play an important role in framing potentially significant changes as to how business is done in the UKCS and its impact on the long-term stability and viability of the industry. It is the NSTA's expectation that at least one of the attendees for each licensee will be suitably senior, with experience of negotiating transactions (e.g. CEO, CFO, Head of Business Development etc) and come with a clear mandate to contribute effectively and authoritatively to a discussion to be held under "Chatham House rules". Framing sessions will be held as follows:

- Central London, **10 June**, 9.30am-12.30pm, location to be confirmed
- Central London, **10 June**, 1.30pm-4.30pm, location to be confirmed
- Aberdeen, **15 June**, 9.30am – 12.30am, at the NSTA offices
- Aberdeen, **15 June**, 1.30pm – 4.30pm, at the NSTA offices

Licensees who wish to attend one of the sessions are invited to provide the names of a maximum of two attendees by **Friday 27 May 2022** to transactionsconsultation@nstauthority.co.uk, indicating which session they will be attending. In advance of the sessions, and by the same date, we would also welcome any initial thoughts on the questions to be discussed. These should also be sent to the above email address.

The NSTA looks forward to engaging with you on this important matter.

Yours sincerely,



Tom Wheeler

Director of Regulation