



Oil & Gas
Authority

Asset Stewardship Strategy



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1. Foreword

The Oil and Gas Authority (OGA) was established to regulate, influence and promote the UK oil and gas industry, in conjunction with other regulatory authorities, and has a range of powers to deliver this remit.

The development of a number of strategies and associated delivery programmes represent a key step in setting out how the OGA, government and industry should work together to Maximise Economic Recovery (MER) from the United Kingdom Continental Shelf (UKCS) – a core recommendation of the Wood Maximising Recovery review.

The MER UK Strategy underpins the OGA remit and became a legal obligation on licensees in March 2016. It describes how MER should operate in practice, setting out a legally binding obligation on licensees and others to take the steps necessary to secure the maximum value of economically recoverable hydrocarbons.

The MER UK Strategy also sets out a range of supporting obligations and safeguards, as well as the actions and behaviours required to achieve collaboration and cost reduction.

The purpose of these strategies and delivery programmes, developed in collaboration with industry and the MER UK Boards, is to promote a new way of working across the oil and gas lifecycle. The strategies set the key direction and the delivery programmes provide further direction and detail on the implementation of each strategy.

2. Executive summary

The objective of this Strategy is to clearly define what good asset stewardship is and how the OGA's enhanced asset stewardship process will work. Underpinning this Strategy is the requirement that all parties, including the OGA, operators and licensees, are provided with data, information, and guidance required to inform decision making consistent with the obligation to maximise economic recovery. Delivery of this Strategy will include a review mechanism to reflect changing circumstances.

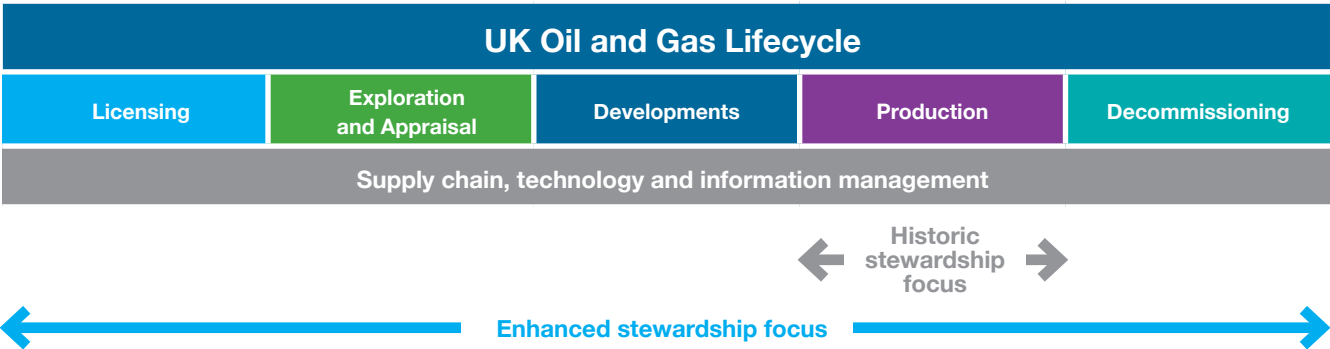
The term 'asset stewardship' had historically been associated with the UK's producing oil and gas fields, following the PILOT Brownfields Work Group 2004¹. However, the UKCS today has a diverse range of assets all of which now need to be covered.

The Asset Stewardship Strategy supports the MER UK Strategy through four complementary strategic elements:

- Stewardship Expectations** – The OGA has developed 10 Stewardship Expectations for industry, across the oil and gas lifecycle, which, if followed, are intended to help facilitate delivery of the MER UK Strategy obligations
- Rationalised Industry Survey** – The OGA has created a new single, annual, UKCS Stewardship Survey which replaces the nine existing surveys, streamlining the way data are gathered and analysed into a more efficient format; reducing complexity, time, effort and burden on operators and the OGA
- Benchmarking** – The OGA will use UKCS data to benchmark assets for production efficiency, recovery factor, operating cost and decommissioning cost, the results of which will be confidentially communicated to operators with the purpose of working in partnership with respective operators to improve performance
- Stewardship Reviews** – The OGA will continue to undertake pro-active, structured and prioritised stewardship reviews with operators and licensees based on intelligence gathered, prioritising those with the greatest MER UK impact

Successful development and implementation of this Strategy and the desired outcome of improved asset stewardship are dependent on support from industry. Effective communication of this Strategy is vital and a communication plan will be a critical element of the Asset Stewardship Delivery Programme.

Figure 1: Asset Stewardship Focus



¹ Maximising Economic Recovery of the UK's Oil and Gas Reserves: Context for the Brownfields Challenge (PILOT 2004 Brownfields Studies, March 2005); <http://oilandgasuk.co.uk/wp-content/uploads/2015/05/REF16.pdf>

3. Introduction

Asset stewardship is crucial to maximising economic recovery from the UKCS and to deliver greater value overall. 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

It is important to define for licensees the 'right things', the 'behaviours' and the 'capabilities', and to establish a performance management process for measuring, monitoring and reviewing effective stewardship. On publication of the MER UK Strategy, industry sought further clarification on the meaning of the obligations within it, and the Stewardship Expectations, if followed, are intended to help facilitate delivery of the MER UK Strategy obligations.

This Asset Stewardship Strategy aims to:

Ensure asset licensees fully identify opportunities and the means to realise them

Increase the resource base through:

Timely and efficient exploration and appraisal of 6 billion barrels of oil equivalent (boe) best estimate of prospectivity

Timely and efficient development of the 5 billion boe discovered contingent resource base

Maximise recovery through:

Increasing recovery of remaining reserves, and reducing uncertainty on the 1.9 billion boe possible prize in and around existing fields

Optimising delivery efficiency and pace, using technology, the supply chain and collaboration

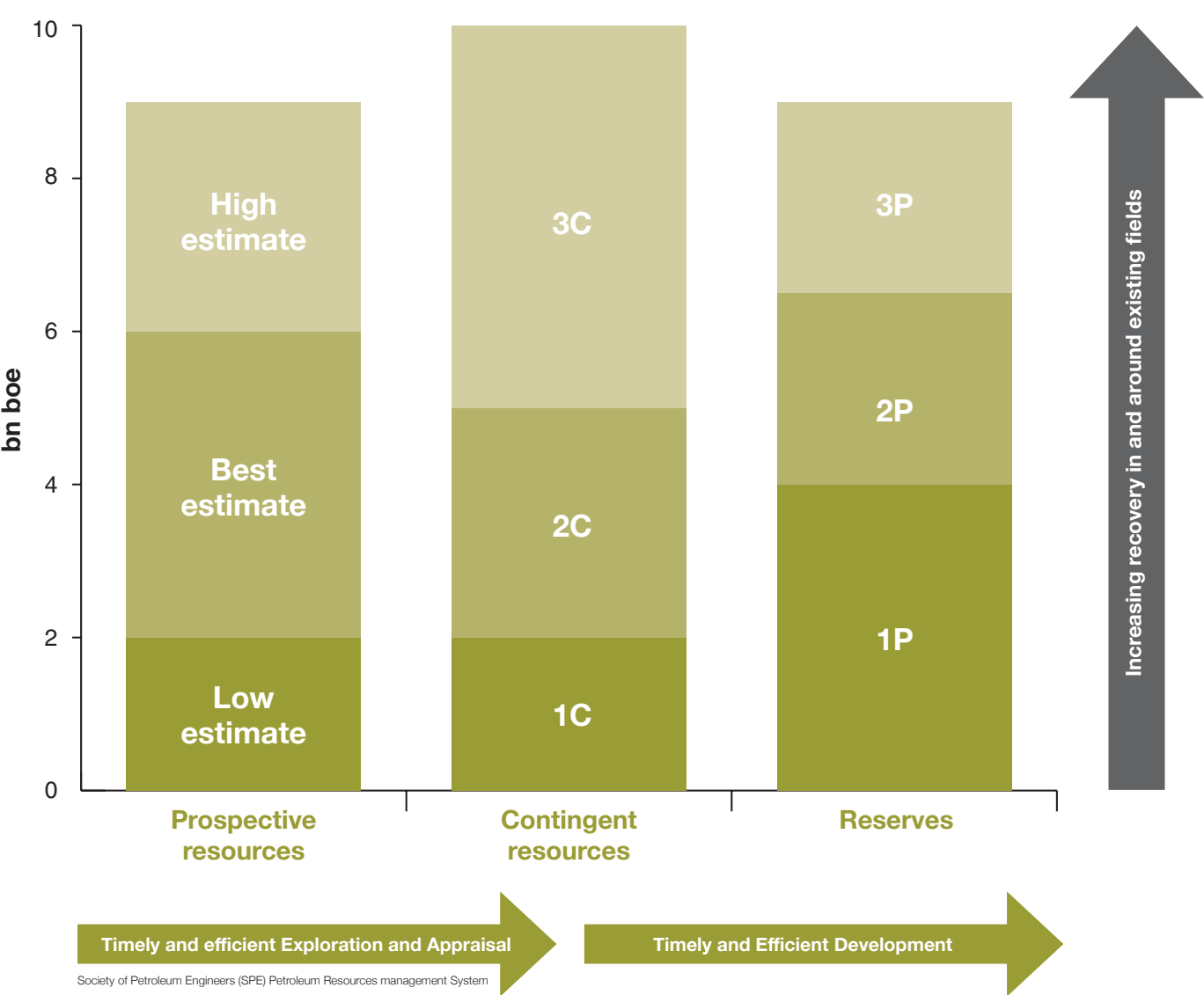
Extend infrastructure life through effective care and maintenance and, where infrastructure life cannot be extended, ensure efficient late life management and decommissioning

Identify both underperformance and best practice and ensure the latter is shared to the benefit of all stakeholders

Stewardship previously focused mainly on producing oil and gas fields and associated infrastructure. During 2013 to 2015, strong stewardship focus on production efficiency resulted in an increase from 65% to 71% across the period.

Figure 2: UKCS Stewardship Prize²

(Oil and Gas Reserves/Resources, billion boe)



² OGA aggregation of UK reserves and resources (July 2016; <https://www.ogaauthority.co.uk/data-centre/data-downloads-and-publications/reserves-and-resources/>)

The evolution of the UKCS with a growing number of operators and licensees, smaller prospects and discoveries, marginal fields and much greater inter-dependence between exploration, development, production and decommissioning has resulted in the requirement for an enhanced approach to asset stewardship.

In addition to oil and gas fields in production; licences, prospects, discoveries, development projects, infrastructure decommissioning, information, supply chain and technology, are all matters which should be subject to good stewardship throughout the upstream oil and gas lifecycle.

This Strategy will deliver the following benefits to industry:

- A strong and competent Authority continuing to work alongside industry with clearly communicated Stewardship Expectations which define good, well established, UKCS oil and gas practices to ensure greater value overall
- A stewardship process which is about continuous improvement, complementary to industry business management systems and prioritising:
 - The oil and gas lifecycle elements with the greatest economic recovery impact
 - The best and poorest performers in asset stewardship
- All operators and licensees applying the same transparent set of expectations and Key Performance Indicators (KPIs) with best practices shared and, where necessary, the support of the Authority to improve performance.

In 2015, the OGA's Call to Action report made the following request to industry regarding asset stewardship.

Asset Stewardship

Continue to deliver significant improvements in asset stewardship, working with the OGA to regularly review against structured plans.

This Asset Stewardship Strategy establishes the vision and sets the scope and direction to achieve this. The Asset Stewardship Delivery programme will be published separately and will describe in more detail how this Strategy will be implemented.

4. Current status

Outside of the existing guidance and licence clauses, there has previously been an absence of stewardship expectations to focus licensees and operators on delivery of existing licence and new MER UK obligations.

In addition, previously the OGA and Oil & Gas UK made survey requests to industry, covering most aspects of the oil and gas lifecycle. However, significant duplication and gaps made the extraction of maximum value from the data difficult and inefficient.

The OGA's repository of UKCS statistical information is significant and the industry has reacted positively to the introduction of benchmarked production efficiency data. There has been an increased demand from industry for more benchmarking products and the OGA recognises the value of benchmarking as a screening tool to aid the prioritisation of stewardship reviews.

In the past, stewardship reviews of development plans, producing fields and infrastructure were conducted with operators and licensees. However, these were not:

- Prioritised using industry survey data
- Structured to ensure the correct people were engaged at the right organisational level to ensure greatest stewardship influence and impact (technical or managerial)
- Focused to sufficiently steward key parts of the lifecycle to ensure the hydrocarbon resource 'hopper' was being filled at the appropriate pace

Building on the previous stewardship approach, the OGA has already commenced a three-tiered annual stewardship review model using increased analysis of existing data, information and benchmarks. These inform structured reviews at appropriate levels with operators, focusing on specific OGA and operator pre-agreed priorities.

Successful stewardship reviews with senior leaders from selected prioritised operators, namely 'Tier 1 Stewardship Reviews', have taken place in 2016 using pre-completed Operator Performance Scorecards and internal OGA operator performance analysis and benchmarking. Detailed technical and subject matter expert reviews, 'Tier 3 Stewardship Reviews' have also commenced during 2016 on cross-lifecycle stewardship priorities identified from a review of the OGA's existing data, information and benchmarks.

5. Implementing the Strategy

5.1 Delivery programme

The Asset Stewardship Strategy will be implemented via a Delivery Programme developed through collaboration with industry.

Stakeholders, such as the MER UK Asset Stewardship Board, have advised that communication of the Strategy, the Delivery Programme and the details of the four strategic elements is critical to success and a communication plan will feature as a significant component of the Delivery Programme.

5.2 The MER UK Asset Stewardship Board

The MER UK Asset Stewardship Board has been established and reports to the MER UK Forum.

This Board uses its membership, expertise and work programmes to help deliver the Asset Stewardship Strategy. Key areas of focus for this Board are:

- Championing development of the Asset Stewardship Strategy
- Monitoring progress against the milestones in the Asset Stewardship Delivery Programme
- Providing access to subject matter experts to inform/feed back on elements of Strategy
- Providing secondees expertise to the OGA

6. Strategic objectives and activities

The Wood Maximising Recovery review proposed that the objective of the Asset Stewardship Strategy should be “to ensure that operators are held to account for the proper stewardship of their assets and infrastructure” and consequently recommended that an early priority for the new regulator should be to “develop an enhanced asset stewardship strategy building on the existing stewardship process, setting clear expectations and reinforced by appropriate sanctions.”

The OGA Corporate Plan 2016–2021 defines the following OGA priority regarding Asset Stewardship.

OGA Priority	Stewarding the development of UK oil and gas resources across the lifecycle, working with industry to optimise efficiency while maintaining high standards of safety and environmental management.
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To secure this priority, a key activity within the OGA Corporate Plan 2016–2021 is the development of this Asset Stewardship Strategy. The OGA Corporate Plan 2016–2021 includes asset stewardship KPIs:

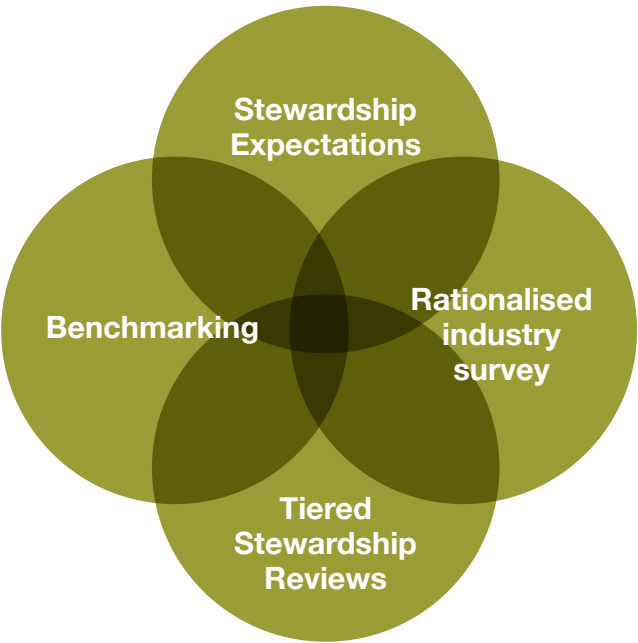
KPI	Target	Timing	Who
Production efficiency	80%	Q4 2016	Industry with OGA support
OPEX reduction	30%	Q4 2018	Industry
Enhanced oil recovery (million barrels of oil equivalent (mmboe))	250 mmboe	Q4 2020	Industry with OGA support

Progress was made towards these targets with improvements in production efficiency and OPEX reduction evident during 2015 and the publication of the OGA Enhanced Oil Recovery Strategy in 2016.

6.1 Integrated approach

This Strategy establishes an integrated approach using tiered Stewardship Reviews, informed by robust industry information and data, screening benchmarks, and Stewardship Expectations delivery (see Figure 3).

Figure 3: Asset Stewardship Strategy elements



6.2 Stewardship Expectations

In consultation with industry, the OGA has created clear, readily accessible, good practice expectations (with references to best practice) for operators and licensees. These 10 Stewardship Expectations span the oil and gas lifecycle. If followed, they are intended to help facilitate delivery of the MER UK Strategy obligations.

Stewardship Expectations cover:

Joint venture hub strategy
Exploration and appraisal subsurface work programmes
Optimum use of subsurface data
Licence activity, decision points and milestones
Robust project delivery
Production optimisation
Information management
Technology plans
Collaboration
Planning for decommissioning

Stewardship Expectations shall comprise clear statements on:

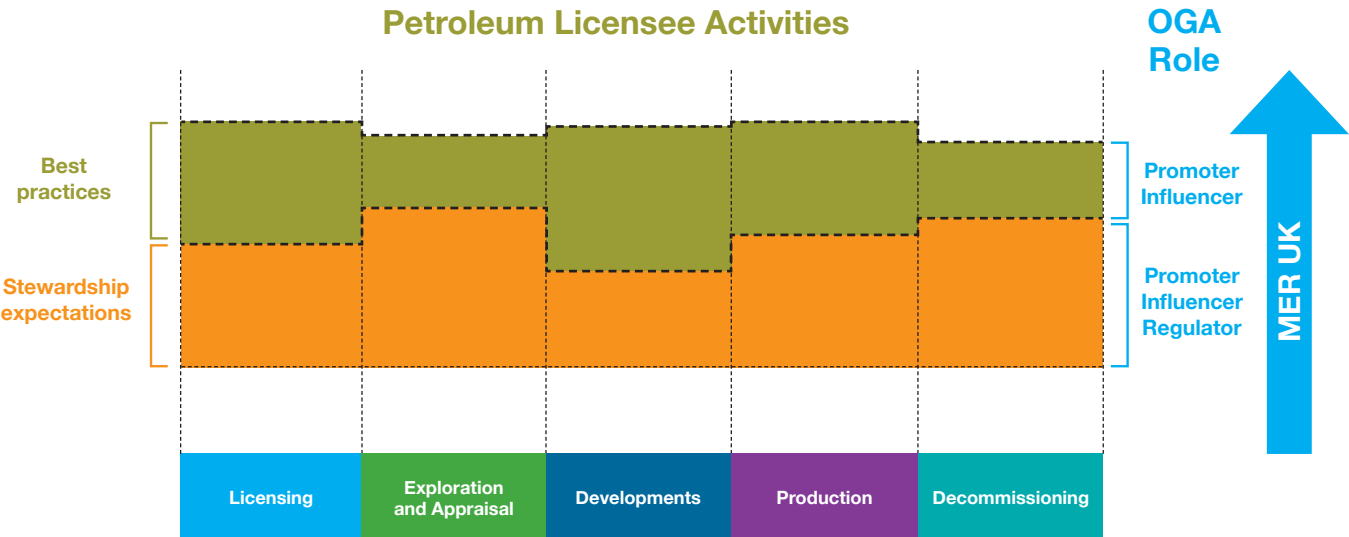
- Expectation** (What) – the expectation to be achieved by the operator or licensee
- Indicators of delivery** (How) – a description of key elements or behaviours which the operator or licensee should have in place to demonstrate that it is delivering what is expected
- Outcome** (Why) – the rationale for why the Expectation is in place and the expected outcome

Each Stewardship Expectation will be supported by an accompanying implementation guide, providing further detail to assist operators and licensees in achieving them.

The OGA will observe operator and licensee delivery of the Stewardship Expectations in order to monitor and, if appropriate, seek to improve performance as they relate to particular assets. If, following discussions with the Operator/Licensees, the OGA concludes that a Stewardship Expectation has not been followed, this may lead the OGA to consider whether the approach taken by the Operator/Licensees complies with their obligations under the MER UK Strategy. Evidence of a failure to comply with the MER UK Strategy may include, depending on the context, such things as underperformance against the Stewardship Expectations.

Figure 4 summarises the role of the OGA in relation to the Stewardship Expectations and the promotion of best practice across the UKCS lifecycle.

Figure 4: Stewardship Expectations, best practices and role of the OGA



6.3 Rationalised industry survey

Previously, operators provided data via a number of separate surveys run by multiple organisations. Instead, a new single, annual, UKCS Stewardship Survey has been created, replacing the nine existing surveys, streamlining the way data are gathered and analysed into a more efficient format; reducing complexity, time, effort and burden on operators.

The single UKCS Stewardship Survey creates a single source of aligned, robust data. Its analysis will underpin all aspects of OGA work. It will be used to inform asset stewardship reviews and provide meaningful insights into current and forecast activity in the UKCS. It will also facilitate robust economic modelling of UKCS fields and hubs, helping to build regional strategies and area plans and will aid benchmarking. This approach to data collation will also create a virtuous cycle of data quality improvement over time.

The requests in the UKCS Stewardship Survey are linked to the obligations set out in the MER UK Strategy. Areas covered by the survey include:

- Licensing
- Exploration and appraisal
- Reservoir management
- Developments
- Operator activities, including production and costs
- Wells
- Production efficiency
- Decommissioning
- Technology
- Supply chain
- Information management

6.4 Benchmarking

The OGA has received feedback from operators requesting that the OGA examines ways of using information and data from its UKCS data repository to enable performance benchmarking.

Benchmarking is integral to the asset stewardship process and will stimulate performance improvement. The OGA is developing benchmarking for production efficiency, recovery factor, operating cost and decommissioning cost.

Key attributes of these benchmarks will be:

- External communication of benchmarks will be non-attributable and anonymised
- Operators will initially only see their own asset performance compared against non-attributable, anonymised trends
- Increase transparency of UKCS stewardship performance over time
- Benchmarks will be largely derived from data received from the rationalised annual UKCS Stewardship Survey (providing an incentive to operators to improve the quality and thoroughness of survey data submission)
- Benchmarks will be developed in consultation with the appropriate MER UK Board to ensure credibility with future industry recipients of the benchmark reports
- Screening tools identifying opportunities for more detailed evaluation

6.5 Tiered Stewardship Reviews

The broader scope of oil and gas lifecycle asset stewardship, coupled with the increased capacity within the OGA, requires a structured, informed and prioritised approach using the improved asset stewardship information, data and tools at its disposal.

It is not possible for the OGA, or industry, to conduct Stewardship Reviews for every asset in the UKCS across the lifecycle, therefore prioritisation is essential to focus on issues presenting the greatest stewardship impact.

Stewardship Review prioritisation will be based on delivery performance of the Stewardship Expectations, benchmarks and output from analysis of the UKCS Stewardship Survey.

The results of Stewardship Reviews will allow the OGA to:

- Share best practices
- Identify areas of performance improvement required by operators or licensees
- Discuss and agree improvement actions, with timings, between the OGA and operator or licensees
- Monitor completion of actions to ensure stewardship improvement
- Ultimately consider whether or not the licensees are complying with their obligations under the MER UK Strategy

The OGA will widely communicate the Asset Stewardship Review process which will be based on the following principles:

- A structured, tiered approach between industry and the OGA to ensure communication with the correct personnel. For example:
 - Tier 1 Reviews – Strategic MER UK reviews of UKCS portfolio at director and management level
 - Tier 2 Reviews – Regional and full lifecycle strategic reviews at management and subject matter expert level
 - Tier 3 Reviews – Technical asset performance reviews at subject matter expert level
- Prioritised use of survey data, benchmarking and Stewardship Expectations delivery
- Alignment with business planning cycle to ensure the right point of influence and phasing with investment plans
- Annual review of the OGA Operator Performance Scorecard in Tier 1 Stewardship Reviews with selected UKCS operators – to measure performance against previous year's plans and shape future plans
- The need for constant performance improvement
- Identify good stewardship performance that the OGA can disseminate across the basin (for example, using case studies, and/or advising operators of where best practice can be found)

7. Acknowledgements

The OGA would like to acknowledge the following specific contributors:

The MER UK Asset Stewardship Board

comprising representatives from the following organisations:

- BP
- Centrica
- Chevron
- Doosan
- EDF
- INEOS
- Oil & Gas UK
- Maersk Oil
- Nexen
- North Sea Midstream Partners
- Petrofac
- Ramboll
- Subsea UK
- Repsol Sinopec
- Wood Group

Supportive organisations including:

- Amec Foster Wheeler
- Apache
- CATS Management Ltd
- ConocoPhillips
- Decom North Sea
- Department for Business, Energy and Industrial Strategy (BEIS)
- Dong Energy
- Enquest
- ExxonMobil
- PGS
- Shell
- Health and Safety Executive (HSE)
- Her Majesty's Revenue and Customs (HMRC)
- Her Majesty's Treasury (HMT)

