North Sea
Transition
Authority

North Sea Transition Steering Committee Meeting
21 June 2022

This meeting was held via MS Teams

Welcome/Introductions

- Industry – Industry committed to UKCS investment, but Energy Profits Levy has shaken operators. Work hand in hand with HMT / BEIS to help deliver effectively.

- NSTA - Have fed back to HMT industry comments. Tripartite relationship between government, industry and regulator has been very effective – important to maintain this.

Industry NSTA feedback

- NSTA seen by operators as highly effective regulator. High quality of reports / databases. Caveat —any time NSTA needs industry input it is incremental work for industry.

- Engagement / dialogue – good quality, mindset to help. Sometimes NSTA may appear unwilling to engage (probably for good reason) – maybe seen as stepping back. General view - all benefit from engagement.

- Licence / consent management – Exploration – notion of flexibility during Covid – feel that should continue. NSTA can be too much by the book. Recognise need to be diligent. Overall – has improved over the years.

- Decommissioning dialogue / process – perceived as quite onerous – would welcome streamlining.

- Some operators commented that it was not always clear if NZ or MER is key factor in a decision.

- Powers – generally good feedback on enhanced facilitation. One operator said situations when not very clear what purpose of facilitation is?

- Licence management – Sometimes perception balance was more about facilitating new players rather that servicing existing players.

- Supply Chain – SCAPS process – way NSTA has most influence. Pathfinder database considered very helpful.

- Big expectation – NSTA being voice of industry towards other regulators - which facilitates and informs them. However, more is requested to work on regulatory stickiness.

- Narrative –– transition & security of supply. Keen for stronger narrative towards importance of industry – not just on transition but on existing O&G operations.

NSTA Response

- NSTA mindful of working burden – so always want to only ask for data when needed. If we are adding an activity on industry, we should see what we can take out.

- On the perception of being unwilling to engage – if there is a pattern, then we are happy to look at that. Always isolated cases. Sometimes it is down to operators' poor licence management.

- Increased flexibility difficult to justify. Suggest companies make such requests only when relevant, and there is good reason. If it is mismanagement of licence, NSTA cannot be flexible.

- On players – need investment from range of players. If there were a number of projects where industry feels there is inconsistency – then NSTA would be willing to look at it.

- MER v NZ - Not aware of any where MER and NZ have been in competition.

- Facilitation? Should be clear if it is initiated by NSTA. But more often than not instigated by industry. Agree we can be more explicit about our role and who has initiated.

- New players – Heard yesterday that we are getting good feedback on change of control consultation. Good to get that right. Industry is better placed – understand risks / investment etc.

- Other regulators – will continue to help where we can. Vocal on this e.g., at EEEGR conference. Attending meetings with fellow CEs and Chairs to discuss integration / improving regulatory joining up. Concerned offshore wind higher profile that other transition elements (CCS / Hydrogen). Useful for industry to be vocal.

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OEUK Stakeholder engagement

- OEUK gave an overview of the Stakeholder engagement they had carried out.

- NSTA suggested that this was worth a discussion at next Board meeting and at next NSTF and requested a short paper, slides and narrative.

Energy Profits Levy

- Government in process of putting together draft Bill. Meeting set with HMT to relay industry views.

- Key issues - how to mitigate impacts of EPL. Also highlight how it has affected investor confidence. Important government is aware of the diversity of impact.

Task Force Updates

Asset Stewardship

- Come from a very strong year 2021 – much delivered, good work on all aspects, including case studies, electrification. Resource progression – all hands to the pump. Low carbon – measurement part. PETF – 80% target - struggle to get engagement on that. Enormous activity level in companies – need to be careful if we want to re-launch to do it in a prioritised way. Re-setting and focusing on PE.

- NSTA has good database / understanding - suggested working with the AS Task Force lead to create a list of key priorities.

Decommissioning and Reuse

- Progress on decommissioning of large structures, particularly with use of super vessels. Variety of domestic disposal yards utilised – and local content. Still lacking UK deep-water quay – could improve cost efficiency and make UK disposal yards more competitive. More removal contracts being put in place – very often on a fixed-price basis.

- Other big slice of costs is wells P&A – 45% of decommissioning costs. Mixed picture - uptick in wells campaigning. Have seen collaboration on subsea infrastructure projects. On the other hand, have seen upward pressure on rig rates. Some future uncertainty on unit costs.

- On costs - decommissioning estimate & target will be rolled out at November conference, together with useful benchmarks.
- Reuse/repurposing infrastructure has been high graded by NSTA – helping operators to consider their COP applications and focus on infrastructure which genuinely has reuse potential.
- Working with OEUK – decom skills shortage / roadshows / student engagement.

Exploration

- Exploration licensing. CCS round launched with bids due in September. O&G licensing – encouraging companies to nominate areas. Want to go as far out / wide as possible. Apprehensive about appetite post EPL. Advocacy continuing - geo-skills industry focus. Continuing to advocate for O&G exploration upstream. Also working on carbon storage licensing and how we can meet longer-term storage targets.

Carbon Storage Task Force proposal

- Value in having a community to discuss lessons learned as you go through licensing milestones and steps. NSTA worked with OEUK to flesh out concept, recognising OEUK have forum. CSTF – scope is about offshore transportation and storage – will have an XTF representative. Propose including CCSA in the task force. Looking for ratification of this proposal.

Supply chain and exports

- Hectic year. Dominant focus on delivering elements back to OEUK and NSTD – getting guidance done in pragmatic way. Progressing / reporting on local content. Work on how the supply chain respond in kind to get support back to the operators so get ever more globally competitive. Costs / liquidity – looking at how you have the money to build the factory in which SP will build the kit – support for industry. Focus on getting that 1st tranche of work for OEUK. Opportunity in SCAPS process – conformity of data.

Technology Leadership Board

- NZ technology mapping to complement NSTD. Opportunity – new energy ecosystem requiring fit for UK technology solutions. Reliant on our SC to innovate and disrupt.
- Objective – understand critical gaps to decarbonise and transform energy ecosystem and communicate and enable cross sector collaboration and investment.
- Key findings – high levels of interdependency. Transportation, storage, and transmission solutions required across all areas.
- Key recommendations – incentivise industry to develop, test and deploy technology. Utilise challenge focused technology clusters to decarbonise existing energy system. Create test and demonstration centres to support industry tech clusters. Develop

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critical transport and storage solutions to deliver an integrated and potentially global solution for NZ.

Wells

- Re-energising / refocussing – energy security – but get more explicit about NZ – more efficient wells. Does rely on critical few representatives involved – more active players important. Keen to re-energise the community. Building the connection with OEUK wells forum. Learning - right scoping and wells removal, and how to be more efficient with platform drilling**.**

AOB

Proposal to stand down Efficiency task force

- OEUK – looking at collaboration focus – suggest good timing to stand down efficiency task force and repurpose to collaboration. Raising this as a “heads up” rather than asking for approval at this stage.