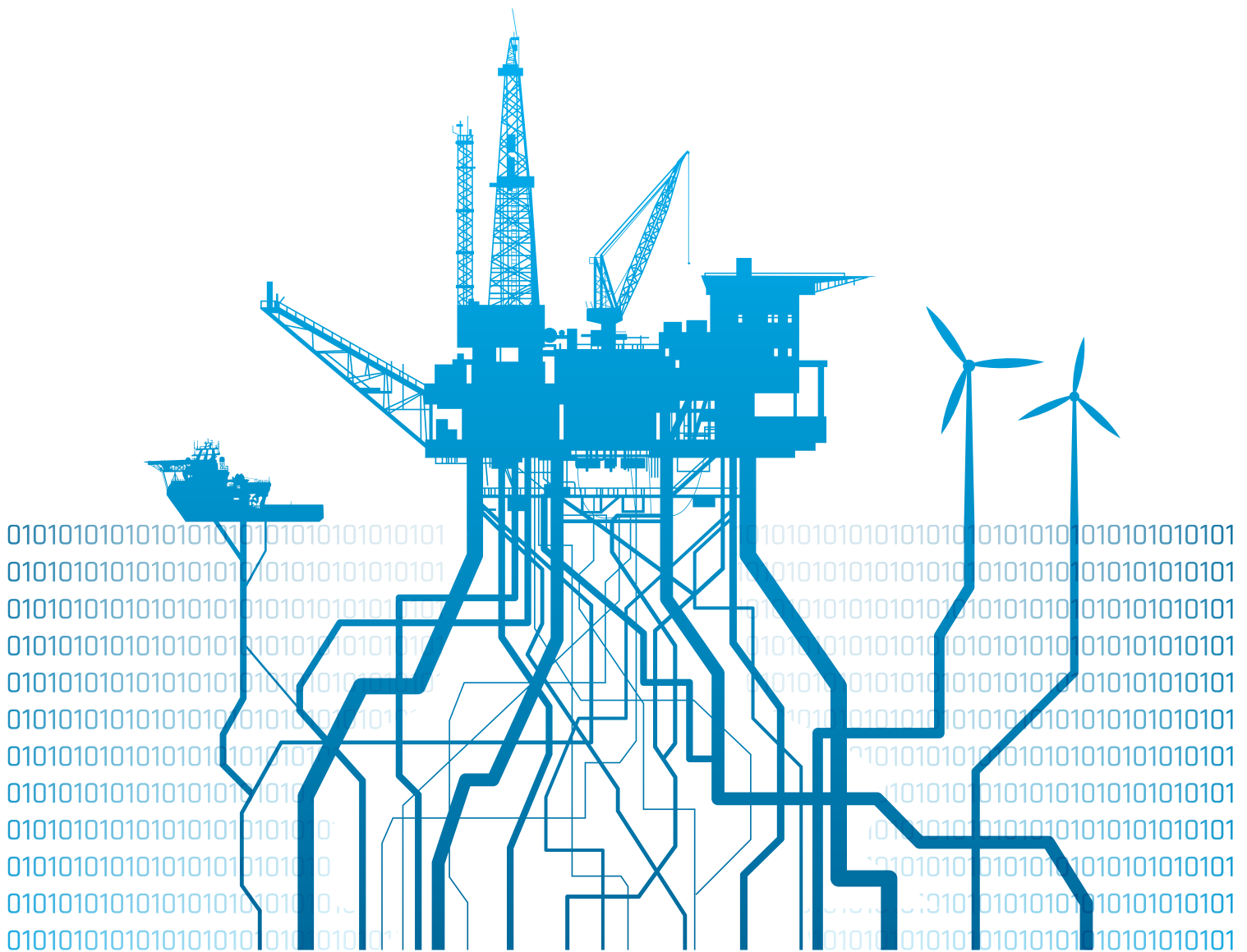




Oil & Gas
Authority

OGA Corporate Plan 2019 - 2024



April 2019

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Introduction

The Oil and Gas Authority (OGA) has rapidly established its authority as an independent regulator, creating the right conditions for investment and acting as a catalyst to help industry succeed amid what have been difficult market conditions in recent years.

This, the OGA's second Corporate Plan, describes the Authority's priorities and plans for the next five years. It sets out how it will continue to work with industry, governments and others to maximise the economic recovery (MER) of the UK's hydrocarbon resources, consistent with the drive to embody regulatory excellence.

The OGA continues to prioritise carefully, focusing on the activities with the biggest impact and working with industry to deliver. This means delivering a high-quality service and value-for-money to industry.

Vision 2035, co-created with industry, sets out two specific ambitions: to add an additional three billion barrels of production by 2035 and to grow supply chain turnover by being a world leader in specific sub-sectors, doubling the UK's share of service sector exports. Vision 2035 also provides a challenge for how oil and gas can play an exciting and meaningful role in the global energy transition: maximising indigenous hydrocarbon production (in particular gas) as a bridge to a lower-carbon future, while simultaneously growing and nurturing a skilled supply chain capable of diversifying into alternative energy markets.

The OGA has a firm focus on progress towards the MER aspect of this vision. The central production forecast out to 2050 is currently 3.9 boe higher than the March 2015 forecast, when the OGA was established. This is equivalent to £88 billion net pre-tax total cash flow added to the central production forecast out to 2050.

Projected Cumulative Production by 2050

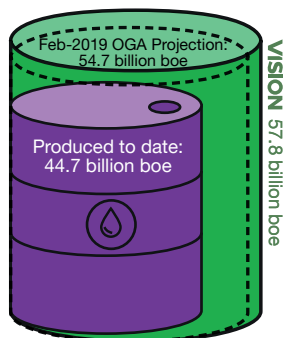


Fig.1

This quantifies the strong progress made towards delivering the massive additional value highlighted in Vision 2035. These barrels will come from a variety of different areas including field life extensions, infield reserve additions, enhanced oil recovery, new projects and new discoveries.

Key to unlocking these and other future opportunities are data and digitalisation. The OGA is continuing to maximise the value from the wealth of UK Continental Shelf (UKCS) data; openly and transparently available for all to use.

The OGA launched the UK's first National Data Repository (NDR) early in 2019. Making these data openly available to all will be a further 'game changer', will encourage innovation and potentially help unlock significant additional value; particularly if industry can fully embrace digitalisation across the asset lifecycle.

The stewardship data gathered by the OGA provide evidence that industry is collaborating to sustain improvements. Compared to 2014, costs are down, production is up and the UKCS is now globally competitive. Decommissioning activity is progressing well and with many operators already going beyond the 35% cost reduction target, there is increasing confidence that this target will be met in 2022. Operators are clearly thinking more strategically about technology uptake and there is evidence of more collaborative partnering with the supply chain.

Similarly, there are signs that commercial behaviours are improving; the Cultural Change Champion is working with the OGA as a catalyst for behavioural change and has already led on producing behavioural guidelines relating to area plans. These area plans are delivering. 2018 saw the delivery of the Central Graben area plan, with field development plans approved by the OGA unlocking over 60 million barrels.

Looking ahead, industry must focus on sustaining cost efficiencies and progress higher levels of more efficient infill drilling.

The OGA is clear that the industry cannot fall back to the dark days of 2011 to 2014, when production efficiency was unacceptably low and unit operating costs simply too high.

The OGA is asking industry leaders to work towards the exciting future which Vision 2035 offers. The OGA wants to see full inclusion and workforce engagement, exceptional partnerships and business models delivering value at pace, operational excellence across the lifecycle and widespread deployment of technology, including digital.

About the OGA

The Oil and Gas Authority's role is to regulate, influence and promote the UK offshore oil and gas industry in order to achieve the statutory principal objective of maximising the economic recovery of the UK's oil and gas resources (MER UK).

The OGA's ambition is to be a world leading authority, setting the framework for a sustainable and competitive UK oil and gas industry.

The OGA seeks to be a progressive and highly effective authority, working hard to attract investment and with that jobs, and helping to anchor valuable skills and expertise in the UK. It uses its range of powers and influence to deliver this remit, through:

- **Licence management** – Instilling pace and ensuring the right assets are in the right hands
- **Big data** – Making unprecedented amounts of high quality seismic, wells, production, geological mapping and lessons learned data openly available to all, including a new National Data Repository
- **Innovative licensing** – Using the flexible, simplified regime to spark new interest and open up acreage in both new and mature areas
- **Commercial behaviours** – Holding operators to account on their use of technology, partnering with the supply chain and their commercial behaviours with each other
- **Regional Development** – Ensuring industry leads on priority area plans to maximise value and deliver barrels
- **Resource progression** – Supporting operators to bring forward the next generation of field developments/redevelopments and maximising recovery from current developments through the use of infield drilling and well intervention
- **Driving performance** – Using stewardship data and tiered stewardship reviews to benchmark and support industry to improve amongst a number of measures, their production efficiency, recovery factor, cost efficiency, and decommissioning costs.

In addition, the OGA also regulates the exploration and development of England's onshore oil and gas resources and licenses offshore carbon storage, gas storage and offloading activities.

The OGA is a government company whose sole shareholder is the Secretary of State for Business, Energy and Industrial Strategy (BEIS). The OGA is largely funded by an industry levy. It is headquartered in Aberdeen with another office in London.

External environment

The external environment in 2019 is more dynamic than perhaps at any time before. Changes in the political landscape and in the macro-economic environment can have significant short and long-term implications for the oil and gas industry in the UK.

The industry is in a very different position today compared with when the OGA was established in 2015, with a relatively higher, more stable commodity price and a clear improvement in both cost and production efficiency.

In addition, tens of billions of pounds worth of Mergers and Acquisitions (M&A) deals have been struck in recent years, bringing new investment and ideas, resulting in a diverse spectrum of ownership and demonstrating that companies are seeing the remaining potential of the basin.

Continued government support for the industry has been most welcome, with the introduction of transferable tax history to remove tax barriers to new investment in the North Sea and the launch of a call for evidence to identify what more should be done to further strengthen Scotland and the UK's position as a global hub for decommissioning.

The government also reiterated its commitment to developing an onshore shale industry with the launch of a new Shale Environmental Regulator Group (SERG) to bring together the regulators (the Oil and Gas Authority, Health and Safety Executive and Environment Agency) as a virtual body for regulatory issues and sharing best practice, and the appointment of a Shale Commissioner to act as a focal point on community engagement. October 2018 saw the first onshore hydraulic fracturing operations in the UK for seven years.

The UK is undergoing a large-scale energy transition, driven by carbon budgets set out in the Climate Change Act 2008. While this brings risks as well as opportunities for the UK oil and gas sector, projections show that oil and gas will remain an essential component of the UK's energy mix until 2035 and beyond, and the central objective of maximising economic recovery of UK oil and gas resources will remain important for meeting UK energy demand.

In delivering MER UK, there are opportunities to support the UK's energy transition. The OGA fully supports the transition to a low carbon economy, and already undertakes a wide range of activities which help support this. These include asset stewardship and decommissioning strategies that encourage extending or reusing infrastructure assets, exploring opportunities for hub or regional strategies and energy integration, eliminating unnecessary or wasteful flaring and venting of gas, and approving and issuing carbon dioxide storage permits. In addition, through establishing the



National Data Repository, the OGA is supporting access to timely data to maximise transition opportunities for the UK oil and gas sector.

The OGA welcomes the government's action plan to develop the UK's first carbon capture, usage and storage projects (CCUS) and is working closely with the government and others to identify existing infrastructure which could be transformed for CCUS projects.

The OGA will continue to monitor the external political and economic environment and consider the implications of any developments. In terms of Brexit, and the UK's longer-term relationship with Europe, the OGA will continue to work with government as needed to identify and assess issues and opportunities. The OGA remains interested in industry's views, as impacts and opportunities become clearer.

Performance review

The most recent 2016–2050 production projections (published in March 2019) total an estimated 11.8 billion boe; around a 45% increase of 3.9 billion boe of additional production compared with the same projections in 2015.

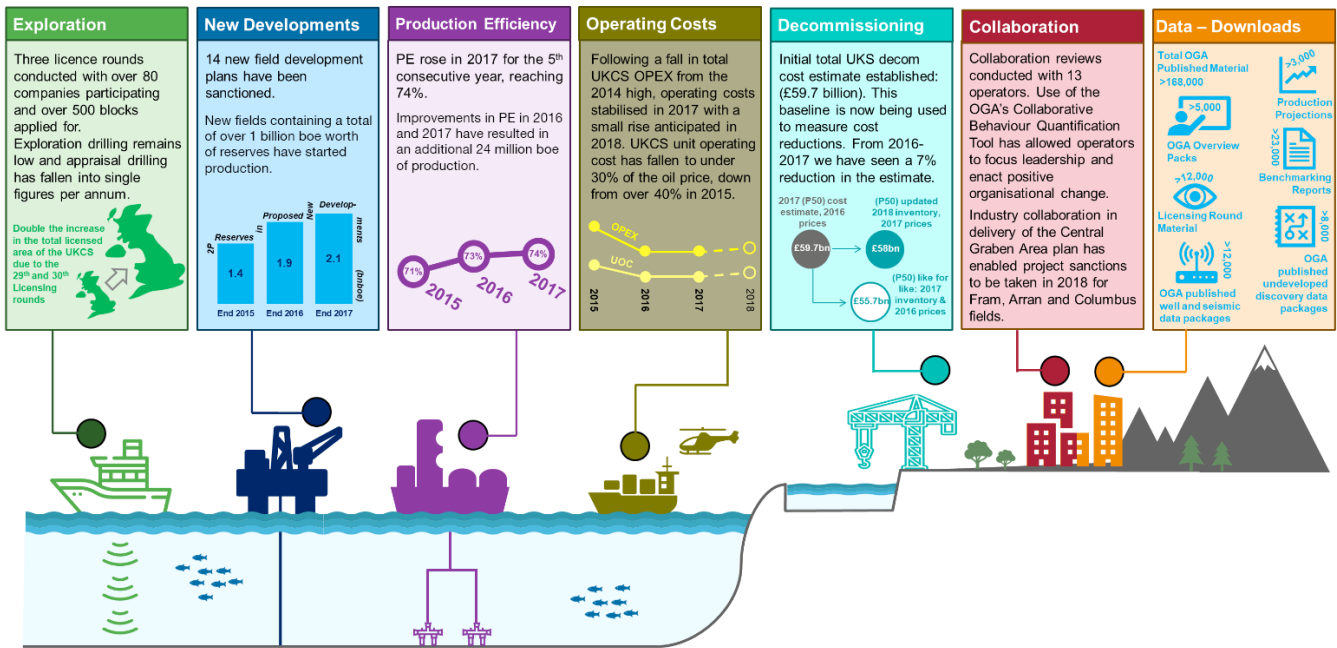


Fig.2

A stable rise in the price of oil since 2015 has played a role in projections uplift, although many other factors have also contributed. The predicted increase in production output has been aided by a combination of future exploration activities unlocked through licensing rounds, recently sanctioned projects and discovered resources, along with the use of Enhanced Oil Recovery (EOR) techniques and life extension of a number of fields.

Basin Performance 2016-2018

Since the publication of the OGA's 2016-2021 Corporate Plan in March 2016, the UK oil and gas industry has achieved a great deal. In the past two years many new projects were sanctioned and others have come onstream; three licensing rounds have been delivered; there has been an improvement in both operational efficiency and industry collaboration, all whilst costs have remained at a sustainable level.

Looking to Vision 2035, while recent projections are heading in the right direction, the industry still has much to do to deliver current forecasts and to achieve the vision. To ensure the UK meets this target, the focus needs to be on drilling more wells, maturing more resources and producing more reserves, all while maintaining efficiencies in operating costs.

UK oil and gas production projections

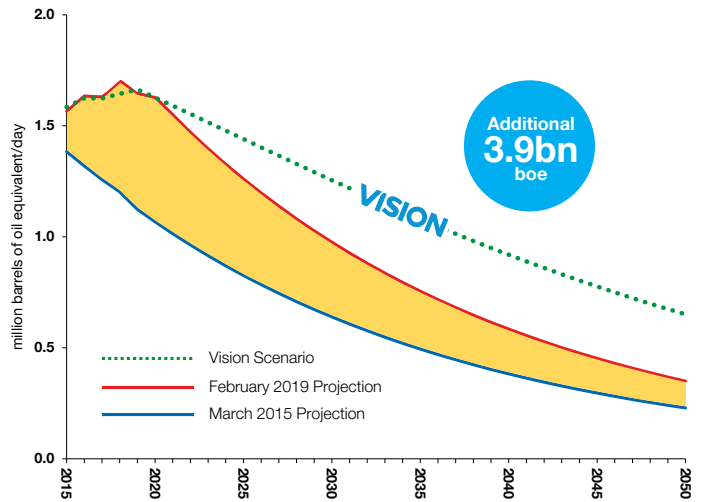


Fig.3

Contributing factors to the 3.9bn boe added since March 2015

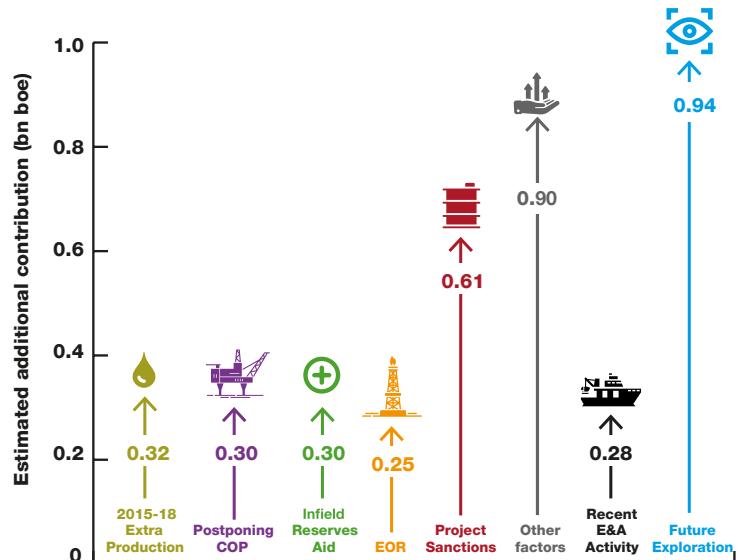


Fig.4

Corporate Plan performance

In March 2016, 85 OGA activities were identified to deliver the previous OGA Corporate Plan. Since then nearly 90% have been fully completed, with the remaining activities due to be completed by the end of Q1 2019. Particularly successful OGA led activities include: releasing freely a plethora of newly acquired or reprocessed seismic data, publishing a suite of insightful benchmarking reports to industry, kickstarting vital area plans and creating a National Data Repository.

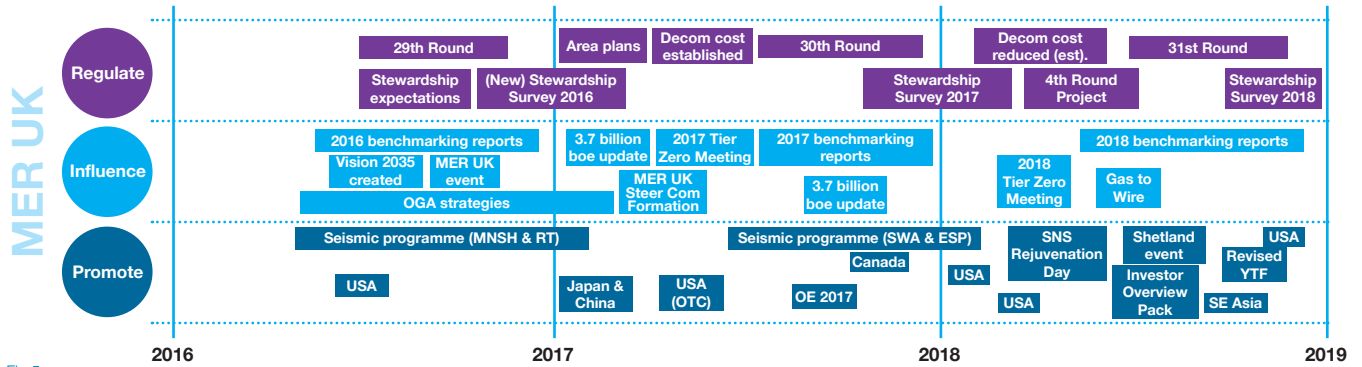


Fig.5

Success stories/case studies

To measure the impact that these and other activities are having, the OGA has been tracking success metrics such as the volume of protected or newly added production, the amount of costs and time saved, as well as the value of investments made. These are detailed in figure 6 below.

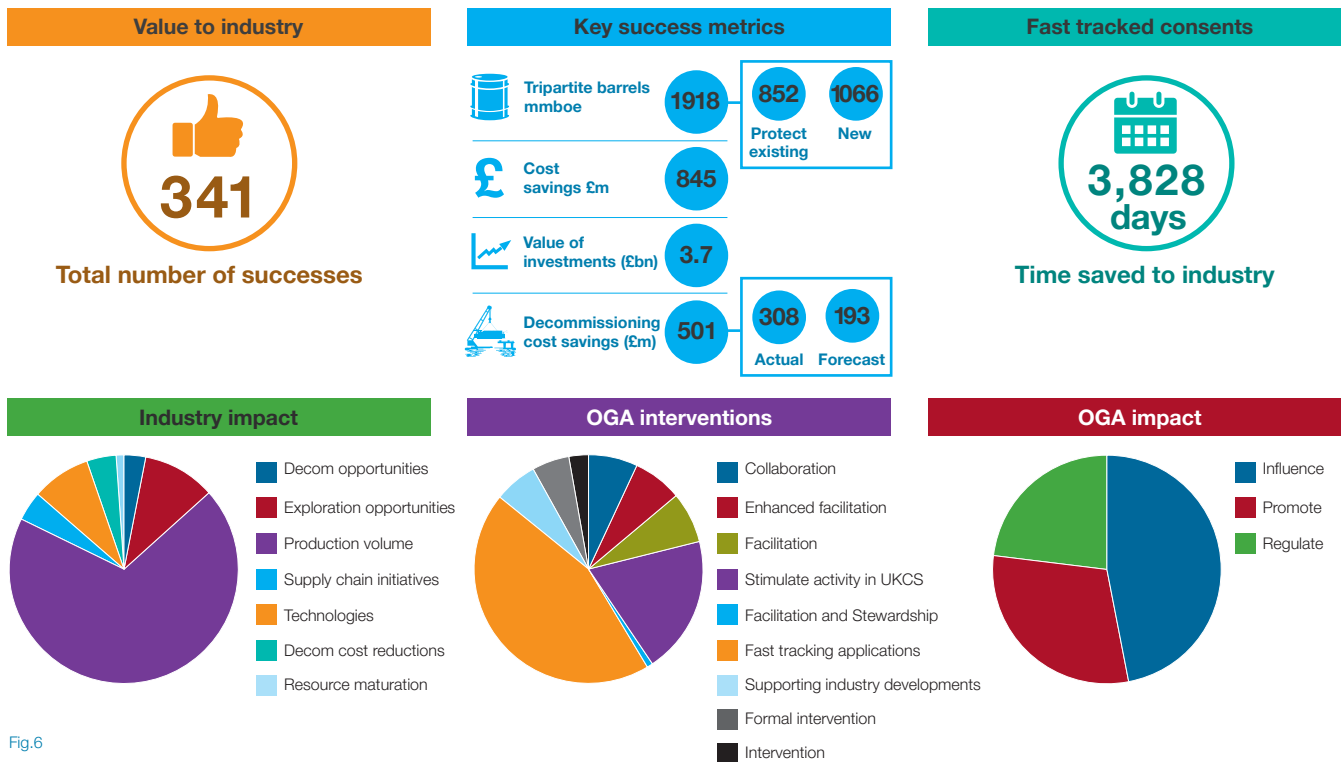


Fig.6

The OGA way forward

The OGA’s ‘way forward’ was first set out in 2015 and described the themes and how they would be pursued in relation to the OGA’s overall ambition, purpose and values.

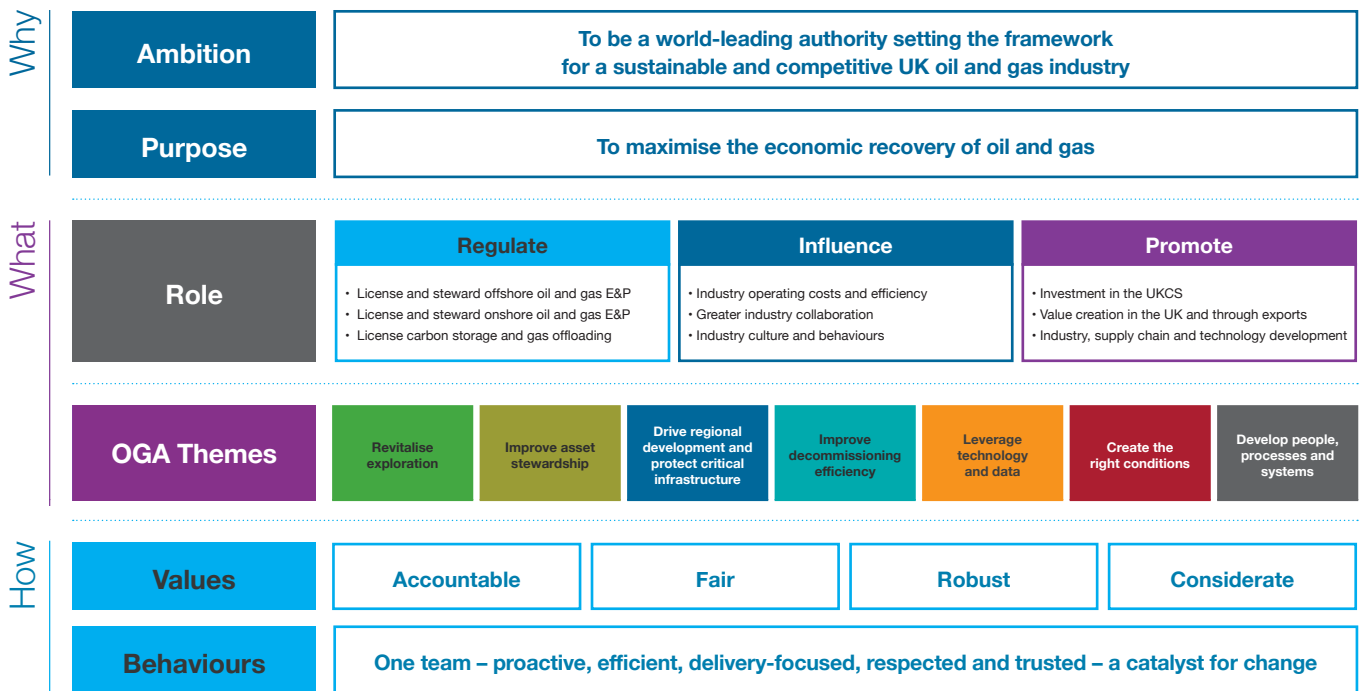


Fig.7

The framework and the seven OGA themes that were set out in 2015 as the OGA was established remain as vital as ever to delivering MER UK and are retained for this Corporate Plan. However, the specific priorities under each theme, and methods of delivery and KPIs, have been updated to reflect lessons learned and the different UKCS environment, with different requirements in terms of operating environment and culture.

Key additions include: an emphasis on digital and the use of big data to revolutionise industry practice; and a focus on energy transition, acknowledging that the move to clean energy is already under way and that the OGA has a role to play in shaping that transition.

OGA way forward 2019 – 2024

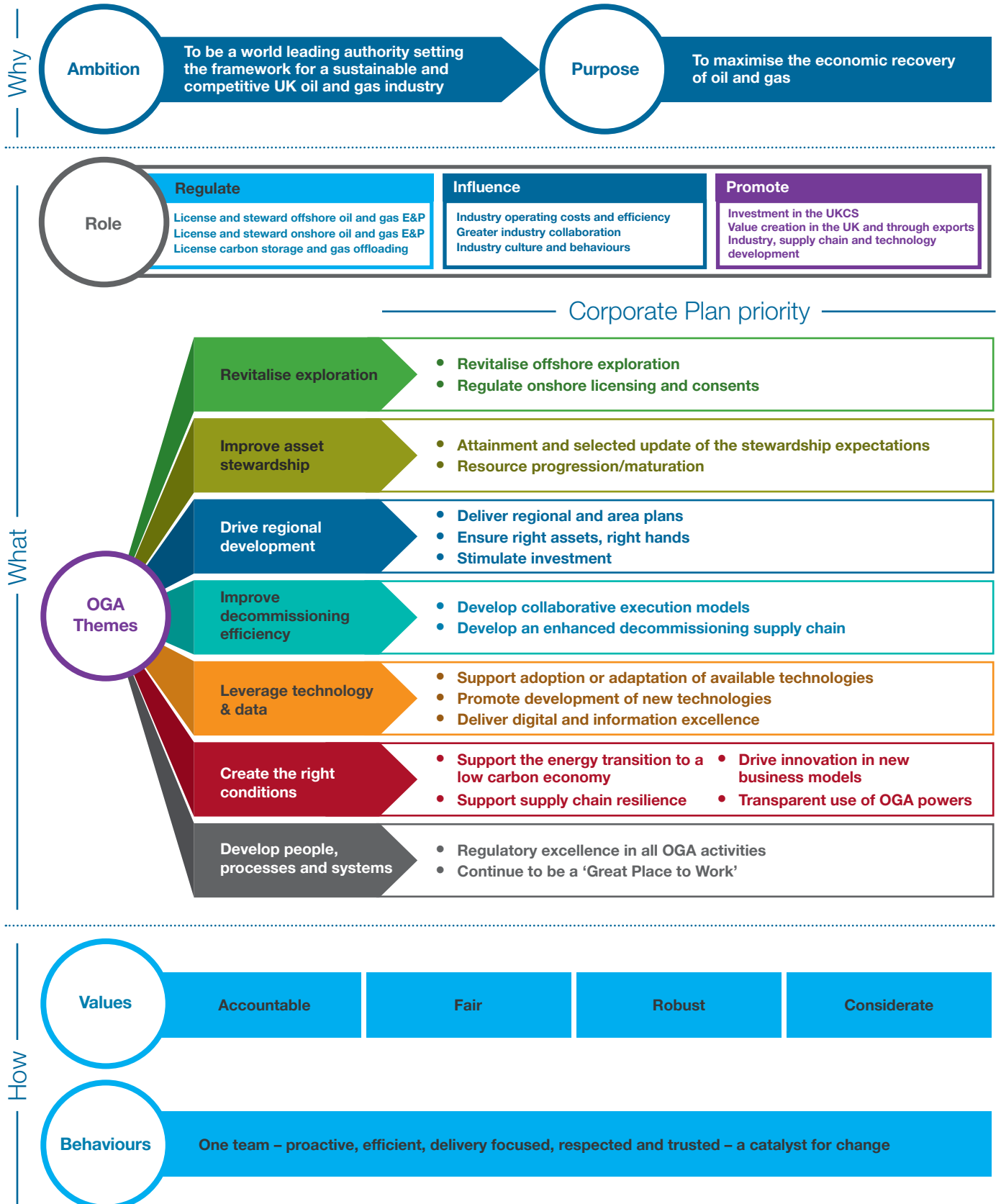


Fig.8

Revitalise exploration

Revitalise offshore exploration




The OGA estimates that 4 billion boe is yet to be discovered from the existing UKCS inventory of mapped prospects, with an additional 11 billion boe possible if exploration is extended to plays, for which current data are sparse. Despite this opportunity, Exploration and Appraisal (E&A) activity on the UKCS has been at historically low levels.

The OGA, with government funding, has supported industry exploration activities in recent years through the provision of £45 million for seismic data acquisition and subsurface studies. The OGA has established a new system of licensing rounds supported by the new flexible licences, developed with industry and backed by an unprecedented set of data from government funded seismic shoots in frontier areas. This has delivered substantial value to industry despite low levels of drilling activity.

The OGA has also carried out a re-evaluation of the remaining offshore exploration potential of the UKCS through an industry best-practice approach to prospective resource (yet-to-find) estimation. This work is allowing the OGA and industry to target the most attractive opportunities that can be stewarded towards drilling.

Industry must now work to reinvigorate exploration activity levels through expeditious work programme execution, ultimately delivering commercially successful wells and additional reserves.

Current state of play

			
Number of wells has declined. Only 20 to 25 E&A wells per year	Average volumes discovered are declining as the basin matures	Exploration efficiency is currently inadequate and facility life is time-limited	UK Exploration is competing against a global investment portfolio

Revitalising exploration activity

			
Alternating frontier and mature rounds	Innovative licence framework, low entry barriers	Large volumes of free geoscience data	National Data Repository (NDR) of well and seismic information
			
Targeting yet-to-find potential, new prospects and plays	Improving performance: technical stewardship and technology	Integrating exploration into area plans	Focusing on value not volume

Forward priorities/commitments

OGA Priority

- **Revitalise offshore exploration**

The OGA is committed to revitalising E&A activity and will support the offshore exploration of high-graded portfolio, building on the yet-to-find analysis, supported by exploration data, and delivering strategic seismic and drilling activity.

The OGA is continuing to support and promote activity, making more and more data available, including via the National Data Repository, while taking a targeted approach to exploration by focusing on the areas that can have the biggest MER UK value. The OGA is continuing to deliver a series of exploration studies and datasets to help promote high-graded opportunities at the play and prospect level. These studies are being tied to licensing rounds, integrated through an area plan approach, and, where necessary, seek to take advantage of cross-border collaboration and the use of new digital technologies.

For exploration to be successfully revitalised, industry must also step up and deliver an increased number of exploration wells, while maintaining current commercial success rates. The OGA is continuing to steward industry delivery to ensure the most promising opportunities are drilled or relinquished. In this respect, it is vital to reduce exploration cycle time, deliver earlier production after discovery and provide welcome support to fill ullage at key hubs.

Industry can expect the OGA to become increasingly robust in its regulatory activities with licence holders, all of whom need to fulfil their seismic and drilling obligations in a timely manner.

KPI	Target	Timing
Discovered Resource	200 mmbob per year – 5 year rolling average	2024

Fig.9

Regulate onshore licensing and consents

The OGA role is different onshore, where the MER UK Strategy does not apply and the OGA has no promote role. The OGA is responsible for licensing production and development of England's onshore oil and gas resources, and monitoring the performance of operators holding those licences; consenting to well operations, including appraisal of hydraulic fracture plans where appropriate; and regulating how operators mitigate against seismic activity. Overall onshore oil and gas policy is a matter for government.

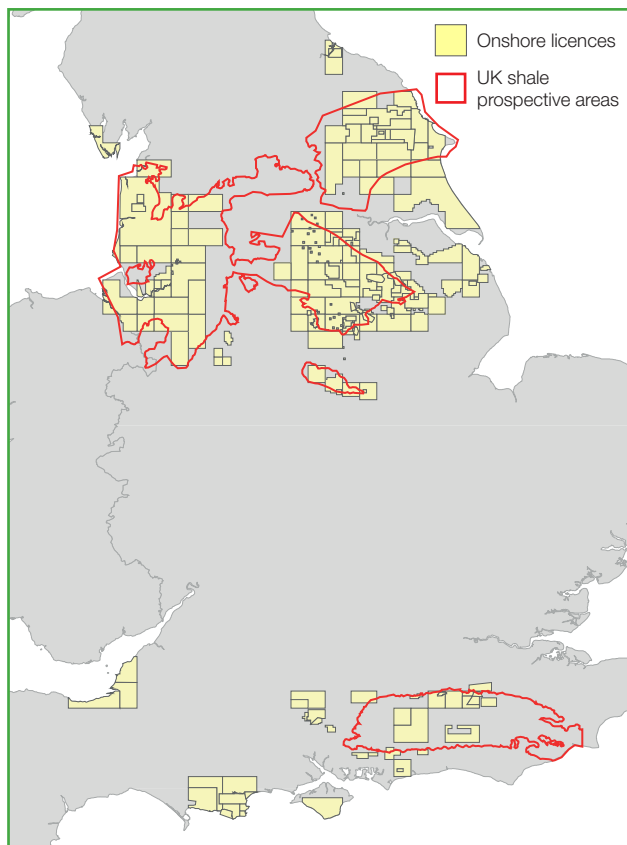


Fig.10

Forward priorities/commitments

OGA Priority

- **Regulate onshore licensing and consents**

The OGA will continue to work with industry and the Shale Environmental Regulator Group (SERG) to ensure regulatory controls and guidance are in place.

The OGA is helping safely realise the potential through:

Regulation: Ensuring an effective licensing system and regulatory controls are in place, including mitigating the risk of induced seismicity

Driving activity: Overseeing operators to ensure commitments are being pursued on over 180 licences

Collaboration: Recognising that high levels of public interest demand transparency, active engagement and close working with government and other regulators.

Features of the OGA's onshore activity

Carboniferous shale gas: Hydraulic fracturing operations and 3D seismic surveys completed in 2018

Jurassic oil hybrid play: Testing underway and drilling planned to appraise the potential of the Kimmeridge resource play

Ongoing exploration: At least three exploration wells expected to be drilled in 2019

Stewardship: Of over 50 onshore existing and producing oil and gas fields.

Improve asset stewardship

Since 2015, asset stewardship has played a vital role in the turnaround of the UKCS. Production levels over the previous three years have increased by 8% to 1.7 million boe per day and there have been sustained improvements in production efficiency (PE) to 74% with unit operating costs (UOC) maintained at £12 per barrel. Collaboration between operators and licensees, and operators and the supply chain, is happening and commercial behaviours have improved.

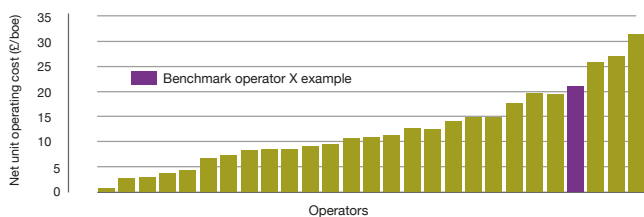
The OGA has established and implemented a completely new stewardship approach and framework.

- The UK Stewardship Survey rationalised numerous other annual industry surveys to enable, for the first time, a complete and comparable data set
- Data from the survey has been used to produce comprehensive industry performance insights and detailed operator benchmarking providing operators with a view of their performance relative to their peers in key areas
- The 10 stewardship expectations established by the OGA in partnership with industry have been rigorously applied
- Tiered stewardship reviews create a framework of formal engagement with operators.

Now embedding asset stewardship expectations through regular interface with industry

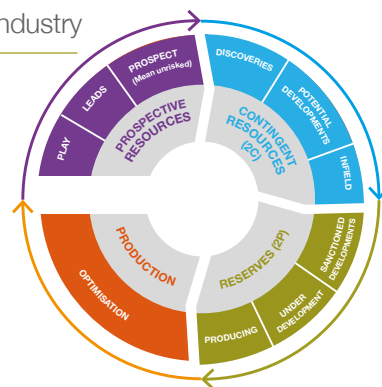
Benchmarking

OGA now benchmarks 18 different metrics with 69 sub elements - driving industry wide performance improvements



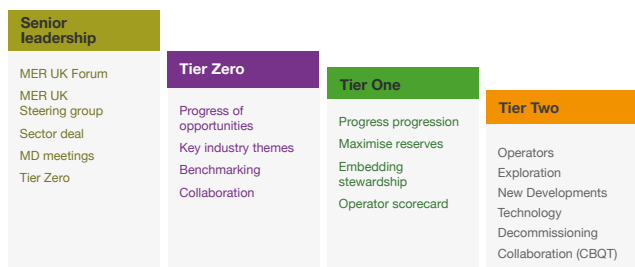
Stewardship expectations

Key area of focus: Resource progression and production optimisation



Tiered stewardship reviews

OGA and operator strategic engagement framework through tiered approach



Rationalised industry surveys

A single source of current, aligned and robust data covering the whole asset life cycle across the UKCS

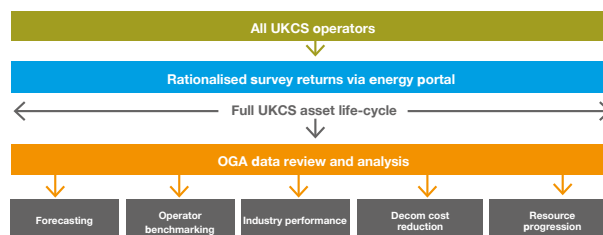


Fig.11

Forward priorities/commitments

OGA Priority

- **Attainment and selected update of the Stewardship Expectations (SE)**
- **Progression/maturation of resources**

The stewardship framework is yielding substantial results. The OGA will continue to use this framework, further refining areas where necessary to drive continuing improvements in stewardship across the full oil and gas lifecycle.

Attainment and selected update of the Stewardship Expectations

The OGA will undertake a systematic review of stewardship, using a tiered operator review, in order to focus on resource maturation and reserves optimisation. Furthermore, project delivery, well construction and well intervention performance will require additional focus and Stewardship Expectations will be refined in those areas.

Resource progression/maturation

With 10 to 20 billion boe remaining, there is significant potential to improve the rate at which reserves are being replaced from contingent resources. UKCS production has stabilised and base reserves are depleting, whilst the contingent resource base is being maintained.

The OGA is continuing to drive efficiencies in production and costs and has set realistic achievable targets for industry to increase their efforts.

KPIs

KPI	Target	Timing
Production efficiency	80% UKCS average production efficiency	2022
Cost efficiency	Maintain average UOC within +/- 15% of 2017 levels (real terms)	2024
Resource progression	300mmboe from 2C to 2P annually	Annual

Fig.12

Drive regional development

The OGA is working closely with operators and licence holders to develop regional strategies and area plans that encompass exploration, development, production, late-life planning and decommissioning to ensure optimum use of infrastructure and extend hub life to maximise economic recovery.

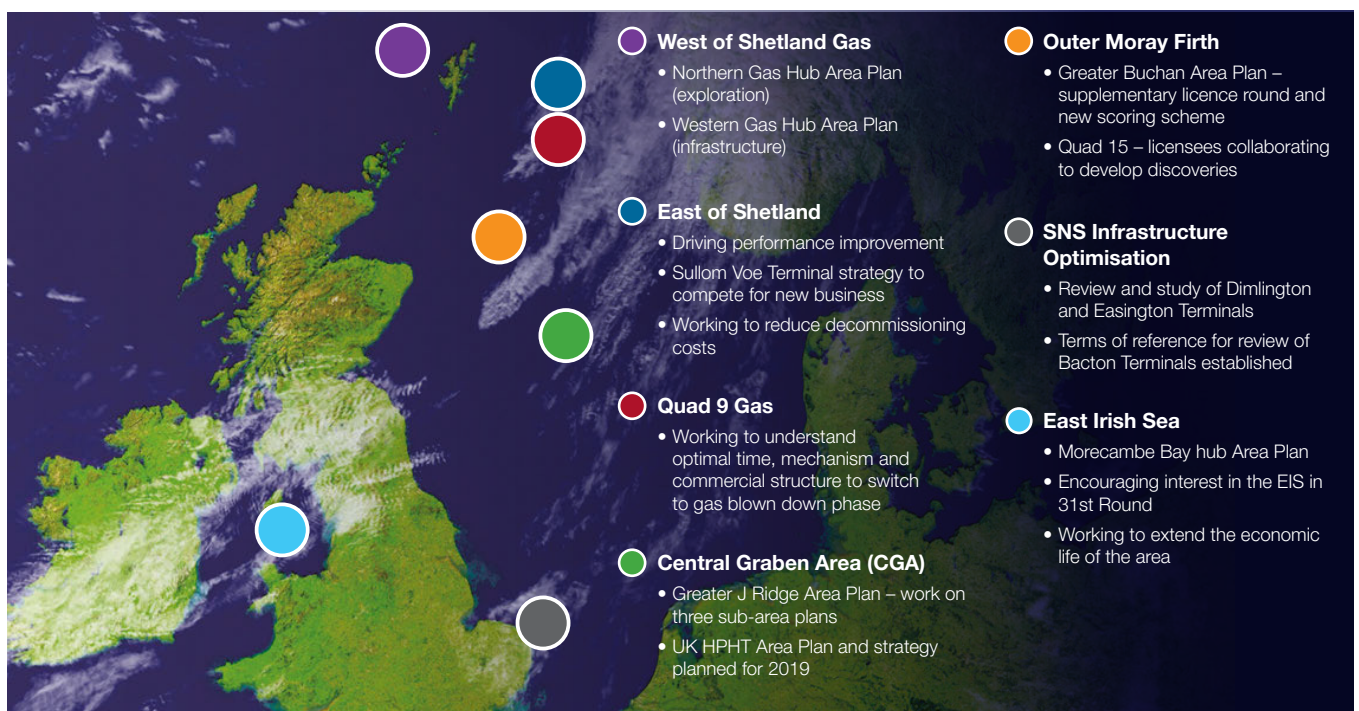


Fig.13

Seven priority plans are now under development, with industry collaborating to mature resources and maximise economic recovery from existing assets.

The OGA recognises the essential role of collaboration and gathers insights into commercial behaviours through the Collaborative Behaviour Quantification Tool (CBQT). This tool was developed with industry to enable an assessment of collaborative behaviours and includes areas such as commercial negotiations, the ability to learn and share experiences and constructive and flexible attitudes to change. As a result of the 2017/18 CBQT exercise involving 13 operators, the OGA has seen significant positive behavioural change over the previous 12 months.

The OGA is continuing to prioritise the development of area plans, with a focus on removing barriers to developing resources on a regional scale, maximising the value of critical infrastructure and assets.

Forward priorities/commitments

OGA Priority

- **Deliver regional and area plans**
- **Ensure right assets, right hands**
- **Stimulate investment**

Regional and area plans

Regional and area plans will continue to be worked closely with industry, with clear ownership, detailed activity plans, clear milestones, and mitigations in place. Area plans will be refreshed at least on an annual basis and, once in execution, stewarded to a successful conclusion by the OGA.

Ensure right assets, right hands

The OGA is continuing to ensure through the stewardship of licences and assets that resources and reserves are optimally managed by licence holders and is intervening when necessary. The OGA is ensuring operators and licence holders adhere to the model clauses and milestones associated with initial, second and third licensing terms, including through the use of powers.

Stimulating investment

The OGA is continuing to promote opportunities with operators, licence holders and potential investors during licensing rounds and stewardship of discovered and producing assets.

The OGA will also, where necessary, facilitate discussions during disposal and merger and acquisition activity to ensure expediency and maximise value.

To deliver these priorities over the next five years, the OGA is conducting Tier 1 reviews with one operator each month to ensure resources are matured and production optimised. Area, decommissioning and technology teams undertake regular Tier 2 and Tier 3 reviews with operators to ensure stewardship expectations are being followed and assets are being appropriately managed and value maximised.

The OGA continues to use the CBQT model to drive improved collaboration across the oil and gas industry.

Improve decommissioning efficiency

Decommissioning has a significant role to play in supporting the execution of the MER UK Strategy. Lower decommissioning costs will help maximise value extraction from the UKCS and reduce uncertainty for the UK government, which is responsible for providing a significant proportion of tax relief.

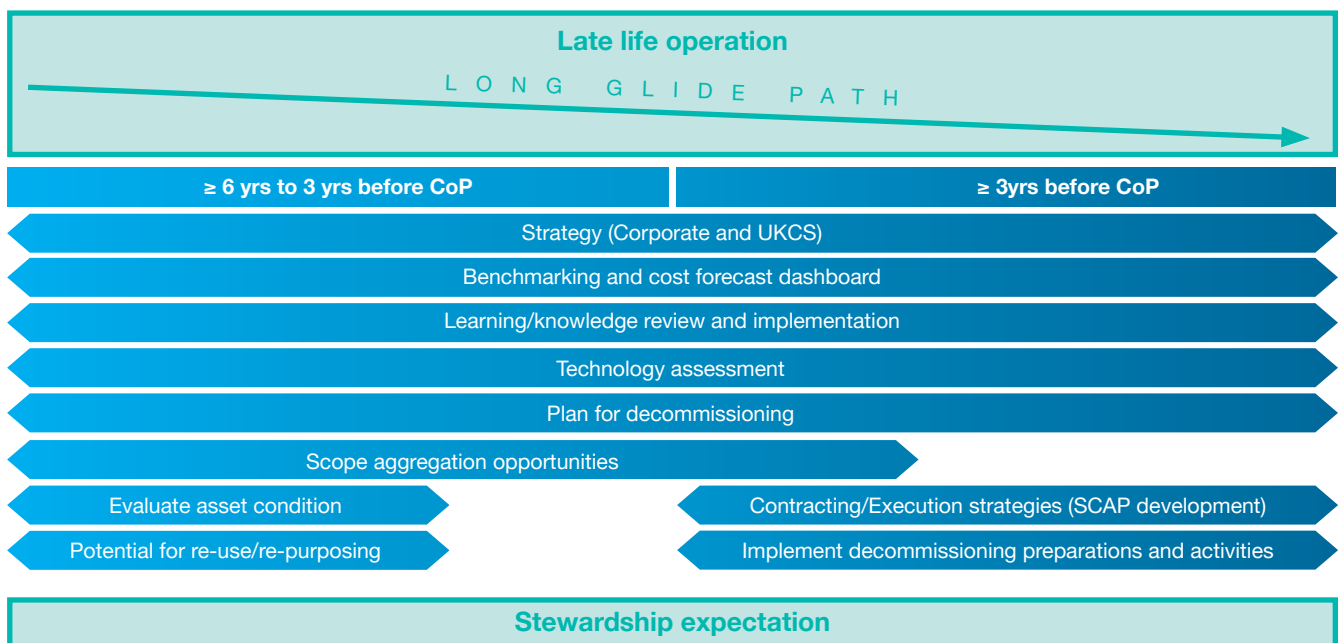


Fig.14

The OGA approach to decommissioning has three main elements:

The decommissioning supply chain holds specialist skills, knowledge and equipment to execute the work. There is a clear and sizeable opportunity to develop an efficient, low cost and exportable industry capability.

Cost performance management:

The OGA has put in a structured framework to focus on engaging with the operators accountable for managing more than 80% of medium-term decommissioning spend. The engagement uses a selection of cost benchmarks to understand potential cost improvements, against peers and promote effective means to achieve these.

Shared learning:

The OGA has established a number of methods to promote and encourage shared learning in decommissioning, including establishing an online learning microsite, sponsoring subject-specific learning workshops, sharing 'success stories' via the OGA website, sharing lessons learned during 'long glidepath' engagements, and promoting collaboration.

Cost estimation:

The OGA has implemented a robust, probabilistic annual evaluation of total UKCS decommissioning costs. First published in June 2017, the then total estimated UK decommissioning cost of £59.7bn had reduced 7% on a like-for-like basis by the time of the 2018 report, due to a combination of cost-effective practice, benign market forces, and better-understanding/reduced-uncertainty of costs. Armed now with a credible and comparable set of costs and evidence, the OGA is confident that the 35% reduction in decommissioning costs can be achieved and has set a stretching target to achieve this reduction by the end of 2022.

The OGA works in close partnership with the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) to achieve the maximum economic extension of field life and ensure that decommissioning is executed in a safe, environmentally sound and cost effective manner.

Forward priorities/commitments

OGA Priority

- **Develop collaborative execution models**
- **Develop an enhanced decommissioning supply chain**

A combination of continuous improvement, structured 'long glidepath' engagements, performance measurement and sharing lessons learned, has become the foundation of delivering the target >35% cost reduction. In addition, two further priorities have been identified.

Priority 1

A significant cost reduction measure, with the potential to support the >35% target, is the management of decommissioning by area or scope, rather than by individual operator, using a collaborative approach to define scope aggregation and campaign work. The OGA continues to support industry to develop innovative and collaborative models for the execution of decommissioning activities, for example through the development of decommissioning area plans that include joint campaigns for decommissioning activities.

Priority 2

The development of an enhanced, specialist decommissioning supply chain to support the execution of late life operations and decommissioning will ensure lessons learned in each project will be embedded in the supply chain, and transferred to the next project, regardless of client, resulting in continuous improvement in execution performance.

KPIs

KPI	Target	Timing
Decommissioning costs	35% reduction in forecast total decommissioning costs from 2016 baseline estimate	2022
Cost certainty (leading)	For 90% of all assets, an AACE class 3 estimate (or better) should be submitted to the OGA at least three years before each planned decommissioning activity	2021

Fig.15

Leverage technology and data

Technology

Technology innovation is critical to improve asset performance and develop the remaining hydrocarbon resources on the UKCS.

By applying best-in-class technologies in exploration, development, production and decommissioning, several operators have demonstrated it is possible to achieve significant production upside as well as cost efficiencies. Successful technology deployment and knowledge-sharing is key to accelerate technology uptake by other operators facing similar challenges, and accelerate the introduction of more advanced solutions (such as digital) which are already tried and tested in other industries.

The OGA continues to work closely with the Oil & Gas Technology Centre (OGTC) and the Technology Leadership Board (TLB) to ensure new technologies are prioritised and developed. Technologies identified through this process, ranging from exploration to decommissioning, are sponsored by the MER UK Forum and supported by the OGTC Solution Centres' roadmaps.

Forward priorities/commitments

OGA Priority

- **Support adoption or adaptation of available technologies**
- **Promote development of new technologies**

To deliver these priorities over the next five years, the OGA will continue to meet with individual operators to discuss their Technology Plans and assess the potential use of technologies against the requirements of their assets and projects, to promote and influence adoption. Progress will be measured through the annual Stewardship Survey and operator meetings.

Data

The OGA aims to be a digital leader in harnessing the new technologies of the Fourth Industrial Revolution to unlock the power of data as a national strategic asset to drive MER UK.



78.5M
Spatial server requests

700%
Growth in server requests since OGA established

57K+
Users



View it



Map it



Chart it



Download it



Share it

The OGA published its Information Management Strategy in 2016, and has since completed many high impact data and service improvements. These include concluding the regulatory programme of information and samples regulations, collecting data through the UK Stewardship Survey and launching the first UK Oil and Gas National Data Repository (NDR).

The OGA has made data much more transparent and accessible to industry, publishing many high-quality data sets on the OGA website and Open Data Portal, which have both been hugely popular. The OGA now jointly runs the Information and Samples Co-ordinator Forum, to support information stewardship and compliance, and has provided benchmarking information on data compliance.

Forward priorities/commitments

OGA Priority

- **Deliver digital and information excellence**

The OGA is committed to creating an environment where enhanced and trusted data can deliver extra value for the sector, and achieve maximum economic recovery from the UK. The OGA will continue to deliver digital and information excellence through the establishment of the UK's first oil and gas National Data Repository.

The OGA successfully launched the NDR in early 2019, housing and publishing the collection of UK petroleum-related information, such as well, geophysical, field and infrastructure data. The NDR will enable the OGA to discharge its information and samples powers and ensure the UK's petroleum-related information is maintained and enhanced as a sustainable digital resource of valuable and comprehensive data, driving inward investment, new technologies and exploration.

The OGA will carry out a programme of improvements to the NDR to deliver a suite of enhanced NDR services by 2021.

Creating the right conditions

Energy transition

This section looks at a number of thematic priorities that will together help shape the future of the industry and what the OGA plans in each area.

Oil and gas will continue to play a role in the UK energy mix. The OGA fully supports the transition to a low carbon economy, and works collaboratively with industry, government and others to harness the necessary expertise, skills and infrastructure of the UK oil and gas sector to help achieve it.

Forward priorities/commitments

OGA Priority

- **Support the energy transition to a low carbon economy**

Engaging fully with the energy transition will support MER UK by creating further efficiencies, and playing a role in the industry's continued licence to operate.

There are a number of common themes between MER UK and the energy transition, such as cost efficiency, extending the life of assets, domestic supply, and reducing the emissions impact of hydrocarbons.

In addition, the OGA is playing a specific role in several areas:

- Licensing of carbon storage
- Ensuring consistency of the OGA's offshore flaring and venting regime with government policy, including emissions targets
- Driving understanding of offshore energy integration, including electrification
- Supporting a diverse range of supply chain options.

The OGA is also working collaboratively with government to support its objective of meeting UK domestic carbon emission commitments. This includes:

- Working closely with government on taking forward the action points from the CCUS Deployment Pathways
- Working with government and other regulators on realising the offshore energy integration opportunities.

MER UK and the energy transition

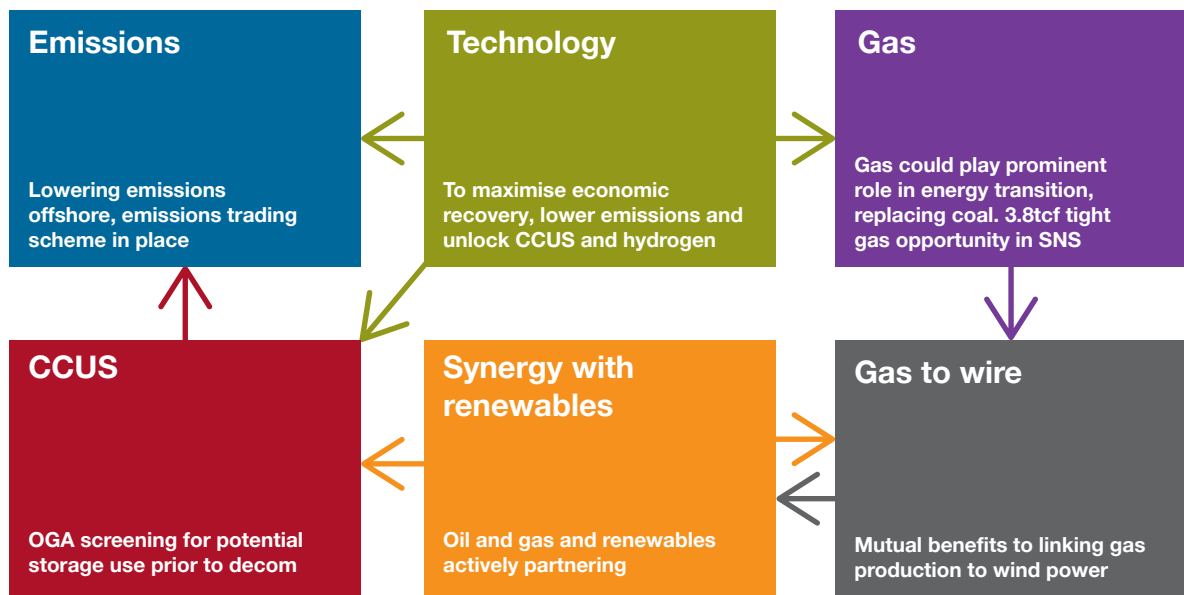


Fig.16

¹Including OGUK, Subsea UK, EIC, Decom North Sea, NOF & EEEGR BEIS, DIT, Scottish Enterprise, SDI and HMT.

Support supply chain resilience

The OGA plays a direct role in supporting the supply chain through the implementation of Supply Chain Action Plans (SCAPs) and through co-chairing the MER UK Supply Chain and Exports Task Force, which brings together industry and government bodies¹.

The OGA has established close working relationships with the service sector, ensuring it is aware of changing demand trends. This is particularly important as investment levels recover, providing supply chain organisations with information and confidence to invest in new technologies, services and skills. This will also help to protect against cost inflation, which would negatively impact on MER UK.

The introduction of mandatory Supply Chain Action Plans (SCAPs) has been a successful vehicle to drive behavioural change in how operators contract with their suppliers. Early evidence indicates proactive engagement between operators and the service sector is resulting in significant efficiencies. This has been achieved through hackathon and meet the buyer events, which have been driven and supported by the OGA and others, including connecting firms across the UK with those in the Netherlands and Norway.

The MER UK Supply Chain and Exports Task Force has delivered on a number of strategic priorities, including commissioning the Oil and Gas Sector Deal proposal and bringing together for the first time all exporting elements of the sector for a major conference in 2019.

Forward priorities/commitments

OGA Priority

- **Support supply chain resilience**

Work needs to continue, in partnership with others, to ensure the UK's service sector survives and thrives, both in service of MER UK and as a major exporting industry. The OGA is continuing to drive and support efforts that enable a sustainable and collaborative environment that supports operators and their supply chain.

To achieve this, over the next five years the OGA is focusing on:

- **Driving greater project value** through new behaviours – a more collaborative relationship between operators and suppliers through SCAPs
- Giving the supply chain **confidence to invest** – by providing details of upcoming project activity and through the Oil & Gas Pathfinder portal
- **Connecting project challenges with suppliers** through hackathon open forum sessions, working with hundreds of companies and publishing summary reports
- **Connecting buyers with suppliers** by facilitating meet the buyer events delivered in partnership with regional and sectoral trade associations
- **Strategic supply chain leadership** through co-chairing the MER UK Supply Chain Task Force and participation in the Scottish Government's oil and gas Industry Leadership Group (ILG).

¹including OGUK, Subsea UK, EIC, Decom North Sea, NOF & EEEGR BEIS, DIT, Scottish Enterprise, SDI and HMT.

Drive innovation in new business models

Part of the changing face of the basin is the mixture of commercial models, investors and supply chain relationships that have been seen in recent years. Innovations already seen include different models of sharing risk and reward between operators and the supply chain, and examples of the supply chain providing capital funding into projects. The OGA’s priority is to drive MER UK and to focus on progressing resources into production. In service of this there is work under way with industry to examine what models of operations, commercial structure and supply chain relationships can further do to unlock key opportunities, such as exploiting small pools and delivering on discovered volumes.

The OGA supports and encourages innovation in new business models to finance UKCS operations

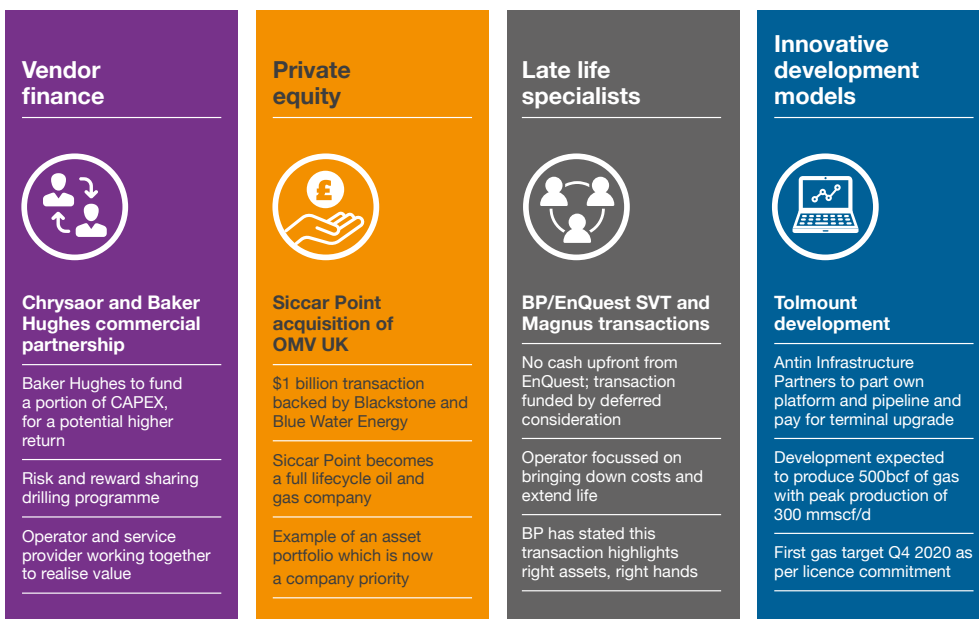


Fig.17

Forward priorities/commitments

OGA Priority

- **Drive innovation in new business models**

The OGA believes that, by working with licensees, investors and the supply chain to support and encourage these new business models, it may be possible to unlock projects that would otherwise be stranded. To that end, during 2019 the OGA is bringing stakeholders together to explore commercial models that could work for UKCS licensees and promote this to wider industry. In addition the OGA is continuing to work closely with the industry’s nominated Culture Change Champion to promote the necessary commercial behaviours to enable such models to succeed.

Transparent use of OGA powers

The OGA has a suite of powers to aid in the delivery of its objectives.

The OGA has a mandate to work collaboratively with industry to influence and promote activity in the UKCS in order to deliver on the principal objective of maximising economic recovery from the UKCS. The OGA has summarised its expectations of industry in 10 Stewardship Expectations.

In addition to the mandate to influence and promote activity, the OGA also has a suite of powers to regulate the industry. The OGA uses its regulatory powers proportionately, consistently and transparently.

The OGA's range of powers include:

- **Licence model clauses** – the clauses set out the terms and conditions of an oil and gas licence covering the requirements on licensees for all phases of the asset lifecycle
- **Meetings** – the OGA has the right to attend meetings between companies operating in the UKCS
- **Information and samples** – covering the requirement for the retention, reporting and disclosure of information and samples
- **Non-binding dispute resolution** – powers to consider disputes formally and make a non-binding recommendation
- **Access to infrastructure** – powers to impose binding terms for access to upstream petroleum infrastructure
- **Sanctions** – the power to impose sanctions where a person has failed to comply with a 'petroleum-related requirement'. These sanctions include enforcement notices, financial penalty notices up to £1 million, licence revocation and operator removal.

The OGA uses the full toolkit to drive MER UK outcomes. This includes for example taking robust action on licence determinations where appropriate.



To date, the OGA has intervened in over 50 cases, with over 60% resolved without the need to escalate to the formal use of OGA powers. These include: facilitating and intervening to unblock commercial issues on area solutions; helping to align joint venture partnerships; asset transfers; licence commitments; and resolving third party access disputes. In doing so, the OGA has used a combination of partnership working with industry, stewardship, and targeted regulatory interventions to help progress new discoveries, field extensions, cost savings and improved plant operations.

Forward priorities/commitments

OGA Priority

- **Transparent use of OGA Powers**

Over the next five years, the OGA will build on the early success of the use of its regulatory powers. The OGA is continuing to work with industry partners to drive positive MER UK outcomes and will only resort to the use of formal regulatory powers where appropriate and in a transparent, proportionate and targeted manner.

To deliver these priorities over the next five years, the OGA is:

- Embedding existing processes, taking sanctions, disputes and infrastructure access cases to formal decisions, as appropriate, with a priority given to those with the biggest MER UK impact
- Increasing transparency and visibility of use of powers, signalling areas of interest and encouraging compliance. This will involve proactive communications upon the initiation of a sanctions investigation, infrastructure access determination and decision to use dispute resolution powers.

Developing people processes and systems

Great place to work

The OGA is committed to ensuring it continues to be a great place to work, and to be able to attract and retain a diverse range of talent. Employees are encouraged and supported to develop their capability, in an organisation with simple processes and systems, and focused on a clear role and purpose.

The OGA focuses on ensuring all staff are supported by strong leadership capability, which is underpinned by a dedicated development programme for all OGA line managers. The OGA is maintaining its commitment to listen to staff through regular team, directorate and OGA-wide engagement sessions. Developing careers and building skills is being championed across the organisation with investment of both time and funding in individual development activities. The OGA works to raise awareness of health, wellbeing, inclusion and diversity through workshops, bringing in external speakers and supporting internal staff groups.

Forward priorities/commitments
<p>OGA Priority</p> <ul style="list-style-type: none"> • Continue to be a great place to work

To remain a great place to work the OGA is continuing to ensure it attracts, develops and retains the talent needed to deliver its objectives. To achieve this commitment, the OGA is:

- Improving **management capability** through a leadership development programme
- Supporting further personal and **professional development**, leading by example through actions and commitment on inclusion and diversity both within the OGA and with industry
- Focusing on **developing talent** through succession planning
- Continuing to support the **health and wellbeing** of staff
- Developing an employer brand as a **great place to work**.



Fig.19

The OGA conducts a biennial staff survey which serves as a barometer to staff engagement in the organisation and signposts areas for leadership to work on, in partnership with staff. By 2023, the OGA has set a target to increase its positive employee engagement score by 5 percentage points across the seven different categories of staff engagement.

KPIs

KPI	Target	Timing
Staff engagement	5 percentage point increase in OGA positive engagement score	2023

Fig.20

Regulatory Excellence (RegX)

In 2018, the OGA embarked upon a programme of regulatory excellence, simplifying and formalising processes, improving systems and embedding knowledge to achieve quality and consistency and nurture a culture of excellence within the organisation.

Processes and systems

The OGA has successfully initiated a number of programmes to achieve greater rigour in how it works across the organisation including:

- Creation of a new management system to hold all processes and procedures
- A programme of digital transformation for both legacy and new system development, based on a unified enterprise wide architecture
- Roll out of a programme of regulatory skills training to all staff.



Fig. 21

Forward priorities/commitments
<p>OGA Priority</p> <ul style="list-style-type: none"> • Regulatory excellence in all OGA activities

Over the next five years the OGA will continue to improve working practices, invest in supporting digital technologies to enhance processes and improve the regulatory knowledge and capacity of staff. In line with its values, the OGA will continue to build and embed a culture of excellence permeating all OGA activity.

Specific initiatives will include:

- Process improvement and refinement facilitated by the use of new technologies
- Continuation of the programme of digital transformation of the OGA's systems to deliver digital and information excellence
- Internal and external engagement to raise awareness of regulatory obligations and encourage a culture of compliance.

Financial principles and budget

The OGA’s financial statements are published annually in its Annual Report and Accounts. The figures provided in this document show the approved budget for the 2019–20 financial year, together with financial forecasts for the remainder of the Corporate Plan.

The OGA’s strategic financial framework is established by the principles for funding Corporate Plan delivery, without increasing the cost of regulation to industry. The Strategic Financial Framework sets out ten financial principles.



Fig. 22

Principles

1. Funds are handled with probity and in the public interest
2. Funding for the delivery of the Corporate Plan is in place
3. Value for money is achieved in all decisions
4. Decision-making is enhanced by timely, accurate financial information
5. Statutory reporting and compliance engages external stakeholders
6. Strong governance structures monitor performance
7. Operational decisions are supported by devolved budgets
8. The OGA sets levies in a fair and transparent manner
9. Financial risks are mitigated
10. A robust internal control system is in place

The OGA remains committed to setting the levy in a fair and transparent manner and ensuring strong governance is in place to monitor financial performance during the year. The levy funds offshore work and is not used to cross-subsidise onshore regulatory functions. The figures below include the recovery of National Data Repository costs, as set out in the public consultation, and the continuation of government funding at a constant level of £2 million throughout the period, which encompasses a capital element and funding for onshore regulation. Changes to either of these assumptions could impact future levy requirements.

	2019/20	2020/21	2021/22	2022/23	2023/24
	£M	£M	£M	£M	£M
Offshore levy	23.4	24.0	24.6	24.8	24.9
Offshore levy funding NDR	3.0	3.5	3.1	3.1	3.2
Other income	4.9	4.8	4.7	4.7	4.7
Total	31.3	32.3	32.4	32.6	32.8
Operating costs	31.3	32.3	32.4	32.6	32.8

Fig. 23

Summary of OGA KPIs

KPI	Area	KPI Measure	KPI Target	Timing
1	Revitalised exploration	Discovered recoverable resources	200 mmmboe additional recoverable resources (Five year rolling average)	Annual
2	Enhanced asset stewardship	Production efficiency	80% UKCS average production efficiency	End 2022
3		Cost efficiency	Maintain average UOC within +/- 15% of the 2017 level (2017 prices)	Annual
4	Regional development	Resource progression	300 mmmboe from 2C to 2P annually	Annual
5	Improve decommissioning efficiency	Decommissioning costs	35% reduction in forecast total decommissioning costs from 2017 baseline estimate	End 2022
6		Cost certainty	For 90% of all assets, an AACE class 3 estimate (or better) should be submitted to the OGA at least three years before each planned decommissioning activity	End 2021
7	People, processes and systems	Staff engagement	5 percentage point improvement in OGA positive engagement score	End 2023

Fig. 24

KPI Target Definitions

KPI 1: The average of total recoverable resources discovered on the UKCS for the calendar year being measured and the previous four calendar years, to be at least of 200 million boe.

KPI 2: Economic production efficiency (UKCS total Actual Wellhead Production/UKCS total Economic Production Potential) to be at least 80% by the time it is measured in 2022 from the 2021–2022 UKCS Stewardship Survey.

KPI 3: For the calendar year being measured, UKCS UOC (Unit Operating Cost: Total UKCS OPEX/Total UKCS Production) in 2017 prices to be within 15% over or under the 2017 level of £11.6/boe. That is, between £9.9/boe and £13.3/boe (2017 prices).

KPI 4: For the calendar year being measured, 300 million boe of UKCS 2C hydrocarbon contingent resources to become sanctioned and transferred to UKCS 2P hydrocarbon reserves. It is the aim of the OGA for at least a third of this 300 million boe to come from hydrocarbon fields within area plans.

KPI 5: The P50 cost estimate of decommissioning the entirety of UKCS oil and gas infrastructure (as per current regulations and guidelines at the time of writing) to be at least 35% lower (on a like for like, 2017 prices basis), than the initial P50 2017 baseline estimate of £59.7 billion. This is targeted to be achieved by the time the estimate is measured in 2022 for the sixth time from the 2021–2022 UKCS Stewardship Survey.

KPI 6: For 90% of all assets, an AACE class 3 estimate (or better) should be submitted to the OGA at least three years before each planned decommissioning activity.

KPI 7: The positive engagement score is defined as the percentage of positive responses (4 or 5 out of 5) across the seven categories of workforce engagement. In 2017 this score was 56%.

Annexe 1

2019 activity plan

OGA Project Activities 2019	
Theme	Activity
Exploration	Offshore licensing rounds (32nd Round)
Exploration	Regional Exploration Plans
Asset stewardship	Update expectations
Asset stewardship	External reporting – recurring and new annual reports
Asset stewardship	Onshore field and well stewardship
Asset stewardship	Benchmarking and insights reports (inc OBR projections, PE, cost)
Regional development	Area Plan – West of Shetland Gas
Regional development	Area Plan – East of Shetland
Regional development	Area Plan – Quad 9 Gas
Regional development	Area Plan – Central Graben Area
Regional development	Area Plan – Outer Moray Firth
Regional development	Area Plan – East Irish Sea
Regional development	Area Plan – Terminal Optimisation
Decommissioning	Cost reporting, benchmarking and lessons learnt
Decommissioning	Industry initiatives
Technology	Undeveloped discoveries initiative
Technology	Technology stewardship, including insight report
Data	Digital strategy
Create right conditions	Thematic review/market study PILOT
Create right conditions	Regulatory compliance – raise awareness of obligations
Create right conditions	Offshore licensing – ensure guidance is up to date
Create right conditions	Supply Chain Action Plans
Create right conditions	Project pathfinder
Create right conditions	Supply chain: working internationally
Create right conditions	Decommissioning call for evidence
Create right conditions	OGA's role in energy transition
Create right conditions	Brexit preparations and implementation
People processes and systems	Employee engagement survey

Fig. 25

