

MER UK Forum – as part of Oil and Gas Day

17 December 2015

NOTE OF MER UK FORUM DISCUSSION

Agreed Actions

#	Description	Who
1.	Grahame Smith asked how best to represent the voice of the workforce in the MER UK Boards. It was agreed this would be considered at the meeting of the Board Leads in January	Board Leads
2.	Arrange meeting of MER UK Board leads on 20 January to ensure that priorities are clear, interdependencies between boards are identified and communication plan agreed	OGA to coordinate working with OGUK
3.	Given difficult operating conditions, Anna Soubry asked MER UK Forum participants to consider what support is required from BIS	OGA to coordinate response with OGUK
4.	Consider including explicit reference to workforce dialogue and engagement in the Industry Behaviour Charter	John Pearson & Stephen Marcos-Jones

Agenda item 1 - Opening Remarks

Andy Samuel (OGA) chaired the event which was the third and final part of the oil and gas day programme. He opened the meeting by noting the very positive support from government Ministers. He explained that the meeting would focus on three main topics and the agenda intentionally allowed substantial time for discussion and Q+A.

Amber Rudd, The Secretary of State for Energy and Climate Change, noted her satisfaction with how the programme was taking shape since the last meeting in June. She stressed the UK government is absolutely committed to the success of the sector and is fully aware of the huge benefits it brings to the nation. The current challenges the sector are facing are recognised, and makes it vital that all parties work together constructively.

Fergus Ewing, Scottish Government Minister for Business, Energy and Tourism, stressed this was an industry with a great future and emphasised the significant

common ground that exists between the two governments. This was, however, a time of unprecedented difficulty and all parties must rise to the challenge. He is very supportive of the Technology Centre described by Sir Ian Wood at the MER UK Dinner the previous night. The UK was good at devising but needed to improve in the deployment phase where most of the jobs existed. In line with the UK Government's Driving Investment Plan, the headline rate of tax should be reviewed. Urgent action is therefore required at the March Budget to remove fiscal barriers for exploration and late life asset transfers, and to ensure that headline rates in the UKCS are competitive. Alongside this industry must continue to deliver on cost reduction. Premature decommissioning must be avoided and it was therefore vital to have processes that allowed the right assets to be in the right hands at the right time.

Agenda item 2 – MER UK Boards

Andy Samuel presented the slides 1-4 inclusive at Annex 2 explaining the rationale behind the Oil and Gas Day programme of events and the role of the eight MER UK Boards in this process and highlighted that slides 21-25 included single page summaries from the five Boards not being considered in detail at this meeting. He advised that meetings of all the boards had been held recently and there was a meeting with all of the Board leads planned for 20th January to discuss implementation and to ensure the boards are joined up and overlaps are identified. OGA would ask that all parties consider the key question, 'are we focused on the right priorities?'

Grahame Smith (STUC) asked if the workforce could be represented in the Boards. It was agreed that the workforce had much to bring and how best to represent them will be discussed at the event in January. **Action: Board Leads**

Andy Samuel noted that we had an industry with a large number of workgroups and the landscape should be monitored closely to avoid duplication and dilution of resources.

Three Key Areas of Focus

Agenda item 3

Exploration

Phil Kirk (Chrysaor) and Gunther Newcombe (OGA) led the discussion and presented the slides 6-10 inclusive at Annex 2. They explained that 2015 had generally been a good year in terms of discoveries but even this improved performance was not enough to replace production – roughly double the current number of wells were needed to achieve this. It was highlighted that a number of exploration activities had long turn-around times and that some activities undertaken now would not deliver production until post 2020, so there was a real need to act swiftly. The UK government-funded seismic £20m programme was very positive,

which in addition to being of tangible benefit also sent a strong message of government support. The package will be presented at the end of Q1 and there will be a focus on the 29th licencing round. Strong consideration is also being given for industry to nominate areas for inclusion in the round and the OGA will work closely with industry on the best licensing strategy.

It was agreed it was vital to address the erroneous perception that the UK basin was 'played out', this was particularly important when seeking new sources of money/risk capital, an area where the UK competes globally.

Amber Rudd noted the upside potential of 22 billion barrels remaining and asked how firm the data behind this was. It was recognised that improving the confidence behind this would help sell UKCS prospectivity and work in this area was being undertaken.

Licence commitments to undertake work programmes were raised and OGA stated they would be happy to consider these, although it was noted that these were part of the bidding and award criteria for individual licences – but there was certainly no intention to see very low success probability dry holes drilled.

In a theme that cut across all three presentations, the role that new and improved technology could play was raised. It was also suggested that now could be the ideal time to undertake a group seismic campaign as vessel costs were currently low. It was noted that such a strategic approach had been successful in Norway and **Gunther Newcombe** acknowledged this is part of the Exploration Board priorities.

The huge importance of 'small pool' discoveries was highlighted. It was stressed that it was vital that these can be unlocked – such as through a faster approvals process and easier access to existing infrastructure. **Andy Samuel** agreed that this was an important priority that would be pursued by the relevant MER UK Boards in a co-ordinated manner.

Agenda item 4

Decommissioning

Colette Cohen (Centrica) and **Angela Seeney** (OGA) led the discussion and presented the slides 12-15 inclusive at Annex 2. They noted that the decommissioning board brought together supply chain companies and oil and gas operators, which was seen as essential to its success.

The discussion noted:

- The cost benefits from a controlled plateau of work rather than short term peaks
- The link between decommissioning and late life management

- The role that new and improved technology could play. The Technology Leadership Board could have a leading role in directing this to make sure there is no overlap
- There was a huge opportunity to gain competitive advantage and significant export potential – work would be needed to identify exactly where the opportunities exist and we also need to identify where the strengths and gaps are in the UK Supply chain capabilities. – OGA, UKTI and Oil and Gas UK would work together to map this and also consider what success would look like. **Angela Seeney** acknowledged this would be a priority for the Decommissioning Board
- Companies in the supply chain are hungry to get after decommissioning work – they need to know the target and will then act accordingly
- Stakeholder engagement required a huge investment in resources and the industry may need to consider how to best get the message ‘out there’
- We should be aiming for solutions based on sound engineering at low cost to taxpayer

Agenda item 5

Anna Soubry, Minister for Small Business, Industry and Enterprise, BIS, joined the meeting and reiterated this was a difficult time for the industry and it was important that we all work together and get things right.

Lord Dunlop, Parliamentary Under Secretary of State, Scotland Office, noted that there is a great potential for the Aberdeen City Region Deal to establish the area, and indeed the UK, as a world leading centre of excellence and is very supportive of Sir Ian Wood’s work - this is a priority for Scotland Office.

Agenda item 6

Cost Efficiency

John Pearson (AMEC Foster Wheeler) and **Stephen Marcus-Jones** (Oil and Gas UK) led the discussion and presented the slides 17-20 at Annex 2. John Pearson noted that the Efficiency Task Force was set up when the oil price was over \$100 so it was not oil price driven and that there was a real optimism that the sector can solve this. It was noted that the downturn had further concentrated minds. The ultimate aim of the project, on-going and without an end point, is to be a catalyst for change within the sector.

The discussion noted;

- The key role that exemplars can play – others will follow good practice and it is not necessary to get everyone on board – those that are determined should get on with it

- Need the appropriate level of standardisation and move away from bespoke – this would make things easier to replace and create a network of supplies
- Learning from other sectors important e.g. automotive, aerospace and textiles
- Other areas that offered significant efficiency savings included inventory/spares, well plugging and abandonment, subsea and the potential for standardisation of common items
- A 22% reduction in unit operating costs was forecast in 2016

It was noted that the Industry Behaviour Charter has had significant effect in the safety space and this could be repeated here. **Andy Samuel** said the OGA was fully behind the charter. **Grahame Smith** highlighted that this is an area where the workforce had much to offer and it was agreed to consider how this could be achieved. A behaviour charter that included the role of the workforce received wide support. **Action John Pearson and Stephen Marcus-Jones.**

Closing Remarks

Agenda Items 7,8 and 9

Deirdre Michie (Oil and Gas UK) endorsed the views that a sense of urgency was required and that no one group could solve the issues facing the sector – the tripartite approach was right and partnership and collaboration should continue. The fiscal measures in the 2015 Budget were very welcome and it was very encouraging to see the efficiencies being delivered by the sector. Whilst recognising that fiscal stimulus was not the only solution, the Spring 2016 Budget offered a unique opportunity to help the sector.

Melfort Campbell (Industry Leaders Group) noted that research and development spend on oil and gas was minimal and that the Research Councils should be allowed to prioritise oil and gas research and development. He would be very happy to assist in skills development.

Anna Soubry noted that BIS are very keen to play its part and would be very happy to meet further with the sector, specifically to understand if there was anything that they could be doing and also anything they should stop doing. **Action: OGA to co-ordinate.**

Fergus Ewing said the Scottish Government also support the Industry Behaviour Charter and it strengthens support if dialogue with the workforce is included. Tier 3 & 4 companies have the understanding and knowledge and this comes from everyone not just management.

Andy Samuel noted that a recurring theme in discussions was that it was vital that the core area boards were focused and joined up, avoiding duplication and this would be on the agenda for the meeting on 20th January.

He concluded the meeting by thanking all those present for their valuable contribution to a very constructive event.

Annex 1

Attendee list

Andy Samuel	OGA (Chair)
Rt. Hon Amber Rudd MP	DECC
Lord Dunlop	Scotland Office
Rt Hon Anna Soubry MP	BIS
Fergus Ewing MSP	Scottish Government
Robin Allan	Premier Oil
Sir Patrick Brown	OGA
Melfort Campbell	ILG
Colette Cohen	Centrica
Stuart Edwards	BIS
Trevor Garlick	BP
Paul Goodfellow	Shell
Steve Hayes	IADC
Campbell Keir	UKTI
Wendy Kennedy	DECC
Phil Kirk	Chrysaor
Hedvig Ljungerud	OGA
Stephen Marcos-Jones	Oil & Gas UK
Neil McCulloch	EnQuest
Deirdre Michie	Oil & Gas UK
Gunther Newcombe	OGA
John Pearson	Amec Foster Wheeler
Elizabeth Proust	Total
Ray Riddoch	Nexen
Terry Savage	Global Energy

Angela Seeney	OGA
Neil Sims	Expro Group
Grahame Smith	STUC
Stephen Speed	DECC
Tove Stuhr Sjøblom	Statoil
Oonagh Werngren	Oil & Gas UK
Paul White	GE