



Oil & Gas Authority

Minutes of OGA Board meeting on 8 July 2015 Atholl House, Aberdeen

Attendees:

Sir Patrick Brown	Chairman
Andy Samuel	Chief Executive
John Ogden	Chief Financial Officer
Stephen Speed, DECC	Sponsor Director
Simon Toole (guest)	Director licensing and legal
Toni Harvey (guest)	Exploration
John Coubrough, GIAA (guest)	Internal audit
Eva Zuckschwerdt	PS to Andy Samuel
Fiona Gruber	Board secretary

Introductions

The Chairman welcomed Simon Toole, Toni Harvey and John Coubrough to the meeting.

Minutes of May meeting

The minutes of the 19 May meeting, having previously been circulated for comment, were approved. Progress of outstanding actions was discussed and is recorded in the action log.

Finance update

The Chief Financial Officer presented his financial report for period 2, summarising the position on income, expenditure (admin, programme and capex), headcount, risks and opportunities and financial controls - the majority of which were as projected. Internal controls continue to be implemented and financial flows are being mapped.

Accommodation was £263k under budget because the OGA continues to occupy DECC office space, but representing a continuing pressure for DECC.

The contract for the seismic acquisition was let for £11m, significantly under budget, providing the opportunity to survey additional areas within the flexible contract terms. The Chief Financial Officer assured the Board that the additional acreage would be acquired at equivalent value.

The Chief Financial Officer confirmed that the £500k risk of delayed implementation of the levy was accounted for in existing budgets.

A MOU has been signed with Government Internal Audit Agency (GIAA) for internal audit and an inception meeting with the National Audit Office (NAO) to discuss a detailed external audit plan was due to take place shortly.

Action: John undertook to schedule an early meeting for Sir Patrick and Andy with the NAO.

The Chairman noted that the Board would in future need a more detailed summary of monthly and quarterly financial performance.

Chief Executive's report

The Chief Executive highlighted the twin priorities of exploration & production (E&P) and decommissioning (DC). He was very pleased with progress on the seismic survey and said there would be a press statement co-ordinated with Oil and Gas UK (OGUK). He was confident that there



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was considerable potential for the data strategy to identify new prospects and that it was important to see the UKCS as a whole.

Decommissioning costs remain a big concern to the government, with total cost estimates ranging from £31-65billion. The Chief Executive assured the Board that a much better decommissioning database was now available and that savings from improved collaboration could potentially be very significant. A single industry forum is being established but more members will be needed to ensure effective collaboration.

Andy reported good progress on implementing the Wood recommendations and drafting the sector strategies and showed how risks and opportunities had been mapped onto a simple matrix of priorities based on where most value could be added.

The Board signalled its support for the OGA's 'way forward', setting out its priorities, accountabilities and values. On prioritisation, the Chairman cautioned that the Board would need to see more detail on the 'how'. The OGA's values were discussed at the recent offsite meeting in York and will be distilled by the leadership team into three values, likely to be 'fair', 'accountable' and 'respectful'. On behaviours, the Sponsor Director agreed that 'proactive' and 'catalyst for change' would best distinguish the OGA from its DECC predecessor.

The Chief Executive stressed that acting as 'one team' would be vital in keeping staff motivated and noted that the organisation would need to be prepared to navigate a potentially more critical press in future. The Board agreed that the OGA would need to work effectively with industry to maintain strong relationships following recent senior leadership changes.

The Chief Executive confirmed that a monthly health and safety report was now in place and that updates would be included in his monthly Board report.

The Chief Executive led a horizon scanning discussion on the implications for the OGA of "sustainable at \$60". Based on his recent conversations with industry and OBR analysis, it was clear that \$60 oil for some operators was unsustainable. Some operators, however, who were bearing down on costs and significantly improving efficiency, could be profitable at \$60, having streamlined their asset base. The Chairman underlined the importance of sharing operators' lessons on cost and efficiency wherever practicable.

Accommodation update

The Chief Financial Officer updated the Board on accommodation in London and Aberdeen: King's Buildings - following discussions with TfL (DECC's landlord), he is awaiting its proposal on two options for the OGA to relocate within King's Buildings (either to the ground or first floors) until summer 2016. The Board asked him to explore whether King's Buildings would be available on the open market post 2016.

Action: Chief Financial Officer to investigate the future market availability of King's Buildings. London commercial search - the BIS space has now been ruled out and Cabinet Office has confirmed that no suitable accommodation is available within the government estate. It therefore cleared the OGA to explore the commercial market. Three options emerged from the initial commercial search: office space in Waterloo, Canary Wharf and Croydon, all of which fell within the OGA's financial parameters.

The Board agreed that Canary Wharf and Croydon were unacceptable as they would extend journey times too much for many staff. It asked the Chief Financial Officer to circulate an overview of the Waterloo option next week.

Action: Chief Financial Officer to provide the Board with a summary of the Waterloo option, and view it, next week.

Aberdeen - a lease has been signed for the second floor of AB1, a refurbished building in the city centre. The OGA has issued a tender for the office fit out, with the contract to be awarded by 27



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July. The Chief Financial Officer and the Head of HR and Change are working closely with E.C. Harris, the government's shared services supplier, to find savings in the fit out costs, which are currently over budget.

Sponsor's report

The Sponsor Director confirmed that the Oil and Gas Authority Ltd. has been incorporated in England and Wales and that he will be the sole Director while the company is inactive. He is exploring whether there are any implications of the company being registered in England and Wales, rather than Scotland.

Action: Sponsor Director to report to the Board any implications of the OGA Ltd. being registered in England and Wales.

The sponsor team has been formed, reporting to the Head of the Wood Review Implementation Team (WRIT), and has established new interfaces for information requests on OGA matters. The Sponsor Director thanked the OGA for its contribution to aligning management relationships between the OGA, the sponsor team and the Oil and Gas Environment and Decommissioning (OGED) unit and underlined the importance of using the new interfaces correctly.

The Energy Bill was to be introduced in the Lords on 9 July and published on 10 July. Additional measures will be introduced by amendment at the committee stage. The Head of the WRIT has briefed OGUK and will speak to key stakeholders on Friday and the WRIT will share an internal briefing note with the OGA. The Board agreed that, although the substance of the Bill was clear, the concept of non-binding dispute resolution might need further clarification.

Action: Sponsor Director to ask the WRIT to share its one page internal briefing note with the OGA.

The Sponsor Director updated the Board on DECC's preparations for the spending review, as announced this week by DECC's Permanent Secretary, and the Budget 2015 announcement in support of North Sea investment. The Board welcomed the marginal extension of cluster area allowances.

A recommendation on appointable candidates for a non-executive director has been sent to the SoS for her decision. Ministers may wish to meet the candidates.

The Sponsor Director reminded the Board that the framework document requires the OGA to agree a corporate plan with the sponsor team every year and the Board agreed to share an early draft of the current plan with the sponsor team.

Action: Fiona to share the draft corporate plan with the sponsor team for their comment.

The Sponsor Director was called away shortly after giving his report and was not party to further Board discussion.

Internal audit

John Coubrough, lead internal auditor, explained that the GIAA is a new, government shared service organisation, designed to bring expert audit advice together. He assured the Chairman of his capability to help the OGA build processes and controls and to help assure value for money. The supported the 2015-16 audit plan and emphasised the importance of the GIAA understanding the OGA's drivers so as to recommend appropriate measures which were simple and flexible. He went on to stress the vital importance of the GIAA acting as an honest broker, helping and advising on an ongoing basis. The GIAA's KPIs would be developed in due course and it could carry out a needs assessment if necessary. The Chief Executive invited the internal auditor to meet his leadership team soon to reassure them that internal audit would be an honest broker, supporting a transparent culture.

Action: Board secretary to invite the GIAA to the next monthly performance review meeting.



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Director's presentation - licensing and legal: onshore licensing

Simon Toole and Toni Harvey gave the Board an overview of the current onshore licensing landscape, outlining the significant shale oil and gas potential, difficult geological formations, the relatively (to the US) high production costs, and the considerable planning obstacles to the 14th licensing round to consenting and operating individual wells. A more strategic cross-government approach would also help. The Board supported the need to fast track recruitment of two members of staff to support policy development.

Action: Andy to speak to Stuart re. fast-tracking recruitment of the two posts

Risk management

The Board agreed that the risk and opportunity strategy and framework was good in principle but that in practice it must be effective in identifying external as well as management risks - and quantifying them. The Chairman underlined the importance of risk management being a conversation, embedded in the organisation, which results in the six to ten most serious risks being escalated to the Board. Thresholds should be obvious within an effective risk management framework. The Board deferred further discussion to the new Chairman of the Audit and Risk Committee, who was expected to be appointed and in post before long, but asked the Chief Executive to agree with his leadership team, at their next monthly performance review meeting, the current top risks, for the Board's consideration.

The Chairman made a general point that papers need not come to the Board fully formed: the Board was happy to advise on key areas at an early stage.

Action: Leadership team to agree the OGA's current six to ten biggest business risks.

Future meetings/topics

On 23 July the Board will hear from the Director of Exploration on putting MER UK into practice; and will consider the OGA's draft service level agreement with DECC and a draft paper on Cabinet Office controls exemptions. On horizon scanning, the Board will discuss market uncertainty about Greece's position in the Euro.

AOB

York offsite event - The Chief Executive gave a short overview of staff feedback from the inaugural OGA offsite event, held in York in June. Forty staff responded to the post event survey and the majority were largely positive, including many constructive comments which fleshed out the quantitative measures. The Chief Executive is finalising the OGA's values with his leadership team and stressed that they will strongly reflect the values discussion in York.

The Chairman suggested that the continuing lack of a working video conferencing system, a key problem identified at York, might be solved by renting a system, with the cost offset by lower travel costs.

Action: The Chief Executive will ask the Head of HR and Change to identify owners for the actions which emerged from the offsite meeting, including the lack of video conferencing facilities.

Recognising positive industry behaviours - Andy informed the Board that Deirdre Michie of OGUK had offered the OGA an award category at OGUK's awards event in November. The Board agreed that this was a value for money opportunity to recognise and reinforce positive operator and supply chain behaviours but cautioned that the award criteria must be clearly objective.

Action: Chief Executive and Head of HR and Change to proceed with MER UK award category.

**Board Secretary
July 2015**