



Oil & Gas Authority

Minutes of OGA Board meeting on 17 May 2016 48 Huntly Street, Aberdeen

Attendees:

Sir Patrick Brown	Chairman
Mary Hardy	Non-executive Director
Robert Armour	Non-executive Director
Frances Morris-Jones	Non-executive Director
Andy Samuel	Chief Executive
Philip Lloyd	Interim Chief Financial Officer
Angela Seeney (guest)	Director Technology, Decommissioning and Supply Chain
Jim Christie (guest)	Head of Decommissioning
Simon Toole (guest)	Director Licensing and Legal
Simon Churchfield (guest)	Commercial manager
Russell Richardson	General Counsel
Fiona Gruber	Board secretary

Introductions

The Chairman welcomed guests and Russell Richardson, the OGA's General Counsel, to the meeting. Stephen Speed, Sponsor Director, sent his apologies.

Minutes of April meeting

The Board approved the minutes of the 20 April meeting. Progress of outstanding actions, as recorded in the action log, was noted.

Conflicts of interest

No conflict of interest with any agenda item, or as a result of new appointments, was declared by any member of the Board.

Chief Executive's update

The Chief Executive reported continued good progress on the low oil price contingency work. The OGA is being careful to put clear parameters around its inputs to the Inter Ministerial Group but is encouraged by the continued support of the Ministers involved.

There was a strong Ministerial attendance at the second Oil and Gas Day comprising the MER UK Dinner, MER UK Forum and the Fiscal Forum. The OGA is discussing the future timing of the Oil & Gas Day with officials, timing to link to fiscal events. The Chief Executive also mentioned the benefit of fostering continued cross-party support for the Treasury's Driving Investment plan, something that would be reassuring to the investor community.

The OGA attended a constructive meeting with DECC Ministers, HMT officials and leading banks to discuss their approach to operator loan facilities on UKCS activity.

The OGA's second appearance before the Energy and Climate Change Select Committee went well. One of the Committee's main concerns was that the KPIs in the OGA's Corporate Plan are very ambitious.

The Chief Executive held a constructive meeting with the trades' union co-ordination group and signalled that the OGA would be happy to support the proposal for a DECC led summit to reinforce existing collective agreements.



Oil & Gas Authority

The Chief Executive underlined the importance of upping the ante on longer term industry thinking on infrastructure and technology, highlighting that clear expectations would need to be set out to galvanise action.

Finally, the Chief Executive updated the Board on the Extended Leadership Team's (ELT) progress in strengthening understanding of different leadership and management styles among new and legacy staff. ELT members will play a key role at the offsite meeting in Newcastle in building understanding of what each OGA teams does and the OGA's values.

Decommissioning strategy update

The Director of Technology, Supply Chain and Decommissioning and the Head of Decommissioning presented the draft Decommissioning Strategy, the first of the MER UK strategies. The strategy has been developed in consultation with the Decommissioning Board, which has been enthusiastic and provided constructive input.

The Head of Decommissioning highlighted the crucial importance of decommissioning being closer integrated into company plans from first oil so as to make the necessary operational changes and take advantage of the more flexible timelines inherent in decommissioning.

Collaboration and different contracting models would be essential to establish the new decommissioning landscape: they would also be critical in bringing transparency on costs and to understand risks. Although there were competition law obstacles to such collaboration, they are not seen as insurmountable and the benefits would accrue to both operators and HM Government.

An essential first step will be to establish a credible cost estimate for decommissioning, before running a pilot to demonstrate the benefits of employing open and equitable contracts. It will also be important to foster confidence in seeking the OGA's advice when developing decommissioning plans, to ensure that operators' decisions are informed and of high quality.

Proposed sanctions guidance

The Head of Licensing and Legal and the responsible Commercial Manager updated the Board on progress developing and consulting on guidance for the OGA's new sanctions powers, to be introduced under the Energy Act 2016. They outlined the three routes into sanctions and described the separation of duties (case work and enforcement) within the OGA.

Consultation to date has been through informal working groups and the first draft of sanctions guidance is now being considered. Implementation of the new sanctions guidance and procedure is subject to the vesting date of the OGA as a government company, expected to be in the summer of 2016. The Commercial Manager outlined the revised implementation schedule, under which the consultation and implementation was delayed until after the OGA was vested.

The Board supported the revised schedule, agreeing that it was important to ensure the process was conducted correctly.

The Board agreed that it would decide the necessary delegations and test the process, for at least the first year of the new sanctions regime. It further agreed that correct set up of sanctions was pivotal; that sanctions must be proportionate and a clear audit trail must be demonstrable; and that all OGA staff, from the Board down, must be trained on enforcement processes and procedures.

The Board underlined the fact that it would need to understand how the new powers - sanctions regime, non-binding dispute resolution and third party access - will fit together. They further emphasised the need to ensure the Tribunal is properly established and sufficiently prepared.



Oil & Gas Authority

Action: Board secretary to agree with Director of Licensing and Legal when the implementation plan for the OGA's new powers should come to the Board for approval.

Low oil price update

The Head of Licensing and Legal updated the Board on DECC's low oil price contingency work. The team is established and has produced a second draft of the new 'red book' - a government manual for handling the assets of any company which goes into liquidation. The red book will be taken to the next Inter Ministerial Group for its early opinion and to assist with planning. Sharing with DECC, the OGA is putting in place a call off contract for legal advisors, using a framework of pre-approved companies. The OGA will also be procuring, with DECC support, financial advice to consider companies' data returns. The team continues to meet operators at financial risk, and their bankers, to maintain a constructive dialogue and ensure timelines are mutually understood.

Finance update

The interim Chief Financial Officer confirmed that the provisional accounts would be sent to the National Audit Office shortly. The levy underspend of around £1.5m, largely due to delayed commissioning of data and IT projects, will be refunded to licensees.

Financial forecasting is expected to improve in 2016-17 following the introduction of mid-year forecast targets in performance reports. Financial reporting is also expected to improve greatly, including better management information for Directors, when the current inadequate, legacy financial system is replaced next year. A contract is expected to be awarded in July 2016, with the system designed, tested and implemented by the start of the 2017-18 financial year.

Sponsor report

The Sponsor Director submitted a short written report in his absence and confirmed that the Energy Act 2016 received Royal Assent on 12 May. Affirmative regulations must now be debated in Parliament before the OGA can be vested as a government company. The Board noted that Alex Chisholm had been appointed as Permanent Secretary of DECC, and would be joining DECC from the Competition and Markets Authority.

Future meetings

There would be three Board presentations in June: the Director of Exploration and Production will present an exploration and licensing update; the Central North Sea Area Manager will present his draft Asset Stewardship Strategy and a Commercial Manager will outline the Investor Engagement Programme.

The Director of Policy, Performance and Economics will present in July.

The Audit Committee will review the first draft of the Annual Report and Accounts when it meets on 7 June. A final version will be considered at the 28 June meeting and reviewed by the Board immediately afterwards.

The August meeting has been cancelled but a placeholder has been retained for a Board phone call. There will be an all-day Board strategy session in Aberdeen on 21 September, followed by the Board meeting on 22 September. The Board agreed that the Head of the Wood Review team could represent the Sponsor Director at the strategy session.

There was no other business.

Board secretary
May 2016