



Oil & Gas Authority

Minutes of OGA Board meeting on 18 December 2015 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
John Ogden	Chief Financial Officer
Stephen Speed, DECC	Sponsor Director
Tom Wheeler (guest)	Head of Commercial
Chris Walker (guest)	Head of Communications and External Affairs
Eva Zuckschwerdt	PS to Andy Samuel
Fiona Gruber	Board secretary

Introductions

The Chairman welcomed Tom Wheeler and Chris Walker to the meeting.

Minutes of November meeting

The Board approved the minutes of the 26 November meeting. Progress of outstanding actions, as recorded in the action log, was noted.

Conflicts of interest

The Board noted that conflicts of interest declarations have now been returned by the majority of staff. The full return will be assessed once complete and the ongoing policy agreed with the Board.

UKCS financial risks

The Head of Commercial underlined the importance of the OGA developing a deeper understanding of the financial health of UKCS operators, so as to anticipate where dominoes may fall in the coming year. With several licensees facing financial difficulty in the deteriorating market conditions, he stressed the importance of undertaking deeper analysis of company balance sheets so the OGA can better predict where the most serious problems, and potential decommissioning liabilities, will materialise.

The Board supported his proposal to strengthen the OGA team to conduct this analysis and to work with a range of existing and new external partners, within and outside government, to build a robust understanding of operators' financial positions.

Events and media planning

The Head of Communications and External Affairs set out his media plan for 2016, which will take a more strategic approach - aligning priority events with the overall OGA plan and splitting attendance across the leadership team and the non-executive Directors as appropriate. The non-executive Directors agreed with his proposal that they act as ambassadors for the OGA through their existing networks. Chris will share his quarterly forward look with the non-executive Directors and support their attendance where necessary. The Board agreed that it would also be important to invite Ministers to high profile events.



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Chris undertook to give the non-executive Directors advance notice of significant OGA announcements. The Board supported the proposal to build relationships with both national and regional publications.

Sponsor's report

Stephen congratulated the OGA for its effective planning and launch of the 14th onshore licensing round. He noted that, following the Secretary of State's recent policy speech, which stressed the enduring need for oil and gas, it was important to have clear lines setting out the extent of end products of oil.

DECC is considering how regulatory decision-making might develop in a range of scenarios and suggested a Board level discussion in January or February.

Chief Executive's update

The Chief Executive felt that the launch of the 14th onshore licensing round was a real success for the OGA, after a long period of careful planning.

There are serious challenges in the UKCS, with divestments and a continuing decline in the size of the pie creating difficult conditions for key terminals and the supply chain. However, there may be opportunities for the OGA to support industry in non-binding dispute resolution.

The Chairman and Chief Executive made a successful appearance before the Scottish Parliament Energy and Tourism Select Committee.

Oil and Gas Day - the fiscal forum and the MER UK forum - generated a useful dialogue, with Ministers very engaged at the MER UK forum.

Andy remains concerned that the OGA team is under pressure and wants to ensure that the OGA focuses on what will really make a difference. He will also review with others the way the eight work boards operate, and whether they all need to be active at once.

Following feedback from the consultation, the corporate plan is being revised and will be aligned around the OGA 'our way forward', with the actions listed under 'regulate', 'influence' or 'promote'. The revised plan will be circulated to the Board in correspondence on 8 January. The final corporate plan, once approved by the Secretary of State, will be published alongside the OGA's consultation response document.

The Chief Executive highlighted the three most critical market failures identified by his 'transformation' think-tank with consultants: lack of collaboration; lack of access to capital or lack of interest in investment; and the value differential on decommissioning tax relief. The Board briefly discussed the proposed solutions (regional plans/consolidation; group purchasing and standardisation; decommissioning transferable tax credit) and asked to see the full versions of the presentations.

Action: Board Secretary to circulate the full versions of the consultant's presentations to the non-executives in correspondence.

Finance update

The Chief Financial Officer has sent reminder letters to the largest companies who have yet to pay the 2015-16 levy.

In addition to the managed services tender, he is exploring the option of sharing managed services with other regulators. The move to 21 Bloomsbury Street in March is on schedule.



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Once finalised, he will share the conflicts of interest return with the Chairman.

The Chief Financial Officer is exploring the best way to utilise the remainder of the seismic budget to maximise the benefit for the OGA.

GovCo - new operational needs

The Board acknowledged that securing exemptions from Cabinet Office spend controls would not be easy and that the need to do so must be clearly demonstrated and evidence based. The Board supported seeking the proposed exemptions.

Audit and Risk Committee report

The Chairman of the Audit and Risk Committee (ARC) gave her report of the inaugural meeting, held in London on 10 December. The Terms of Reference were discussed, and will be revised. Progress updates on internal and external audit work were provided, and there was a discussion about how their roles would change when the OGA becomes a government company. The committee reviewed the form of the risk register and how it had been developed, requesting some additional detail. The year-end accounting schedule was discussed and will be finalised once the DECC schedule is confirmed. ARC 2016 meeting dates will then be confirmed.

Future meetings/topics

The Chairman proposed that the Director of Licensing and Legal update the Board on the future of licensing in January.

AOB

The Chairman proposed the establishment of a Remuneration Committee and the Terms of Reference were approved. He will Chair the Committee which will oversee the remuneration of the executive team and take a view on the remuneration of OGA employees. Other members will be the non-executive Directors and the Chief Executive. Secretariat will be provided by the Head of HR and Change.

The Board Secretary will arrange a programme of meetings for the non-executives on 17-18 February, in the margins of the next Board meeting.

The April Board meeting will be held at the Sullom Voe Terminal on Shetland.

**Board secretary
December 2015**