



Oil & Gas Authority

Minutes of OGA Board meeting on 19 July 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
Stephen Speed, BEIS	Sponsor Director
Andy Samuel	Chief Executive
Philip Lloyd	Interim Chief Financial Officer
Hedvig Ljungerud	Director, Policy, Performance and Economics
Simon Toole	Director, Licensing and Legal
Simon Churchfield	Commercial Manager
Robert White	Infrastructure manager
Carlo Procaccini	Technology manager
Russell Richardson	General Counsel
Fiona Gruber	Board secretary

Introductions

The Chairman welcomed Board members and guests to the meeting.

Minutes of 28 June meeting

The Board approved the minutes of the 28 June meeting and 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.

The Board agreed the Chairman's proposal to sell his and his wife's historic shareholdings in listed oil and gas companies.

Sponsor Director's report

The Sponsor Director updated the Board on developments at the new department for Business, Energy and Industrial Strategy (BEIS), into which the former Department of Energy and Climate Change - together with part of the former Department for Business, Innovation and Skills - was integrated on 14 July. Details of Ministerial portfolios have yet to be confirmed but there were no indications of any implications for the OGA or its plans to vest as a government company later this year. The Secretary of State has stated that energy will be a fundamental part of the UK's overall industrial strategy.

The Sponsor Director informed the Board that he planned to recommend a vesting date of 1 October to the Secretary of State. The Board agreed that this was realistic but emphasised the need to be ready well before 1 October.



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Making MER UK a reality

The Director of Policy, Performance and Economics updated the Board on her work to provide a clear framework for the OGA on how it will use its powers, establishing standards for consultations and publications, with the current focus on consulting on and publishing the sector strategies.

An MER UK event will be held in Aberdeen on 25 October, to which senior industry leaders and senior BEIS officials have been invited, with a full programme to 'launch' the MER UK strategy. The agenda will be shared informally with industry before it is finalised. The Board asked the General Counsel for sight of his paper on collaboration in a competitive environment, in advance of the MER UK event.

Action: General Counsel to share draft collaboration in a competitive environment paper with the Board in advance of MER UK event.

Implementation plan for new powers

The Director of Licensing and Legal, supported by the commercial manager and the infrastructure manager, outlined the OGA's plan for implementing its new powers, setting out how existing and augmented powers would be integrated. They described the way issues would be handled within the OGA, with clear separation between stewardship and enforcement teams. Draft sanctions guidance is expected to be finalised in August, for subsequent consultation.

The Board commended the work to date and agreed that all decisions on sanctions and financial penalties would initially be reserved by the Board. It asked for sight of the draft sanctions and financial penalty guidance before any formal consultation.

Action: Draft financial penalty guidance and sanctions procedure to be taken to the Board in August, for review prior to formal consultation.

Technology strategy

The Technology Manager presented his draft Technology Strategy, emphasising the huge potential for technology to contribute to MER UK, in both the near-term and the longer term. He highlighted its importance in generating operational efficiencies and improving asset integrity; improving exploration techniques; and reducing decommissioning costs. He further outlined how the OGA will continue to work with the Oil and Gas Technology Centre and the Technology Leadership Board to ensure that research and development was focused on deploying the highest value opportunities for the basin.

The Board endorsed the draft strategy, whilst highlighting the importance of articulating current areas of weakness and how they would be addressed within a clear timeframe.

Board delegations framework and vesting issues

The General Counsel presented a proposal on decisions which should be reserved for the Board when it becomes a Companies Act 2006 Board. The Board endorsed the proposal, subject to certain amendments. The Board asked for further clarity on how decisions would be escalated to the Board, for review before vesting. The Board noted the remaining matters to be concluded before vesting.

Action: General Counsel to present the delegations framework to the Board in September.

New OGA internal policies

The Board approved the new suite of internal policies, including the Code of Conduct, subject to minor amendments.

Action: Governance manager to finalise internal policies in preparation for vesting.



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Chief Executive's report

The Chief Executive expressed his concerns that, in the current operating environment, many operators were not following the principles of MER UK. He highlighted the importance of reflecting on what is needed 'beyond Wood' to ensure that the right assets were in the right hands. He was looking forward to discussing this in more detail at the Board and Leadership strategy session in September.

He was pleased with the way the Oil and Gas Technology Centre was working and noted that the MER UK Boards would not meet in August.

The Chief Executive confirmed that the permanent Chief Financial Officer had been appointed and would be in post later in the year.

Chief Financial Officer's report

The Board noted progress made in developing the new finance system and agreed that the proposed timetable was realistic. The Board acknowledged the continuing difficulty in compiling a robust finance report since the implementation of the BEIS finance system.

Future meetings

The August meeting will consider draft sanctions and financial penalty guidance and the draft information strategy.

In September the Board meeting will be preceded by a day-long strategy discussion with the Senior Leadership Team. The Board meeting itself will consider the supply chain strategy, the final sanction and financial penalty guidance, and proposed Board procedures and delegations framework.

The Board will be updated on the 2015 and 2016 seismic programmes at the October meeting.

The General Counsel will present a legal issues forward look in November.

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Following publication of the OGA's 2015-16 Annual Report and Accounts on 20 July, the Chair of the Audit Committee confirmed that she would shortly be meeting the Head of External Audit for a full debrief on the 2015-16 audit.

Board secretary
July 2016