



Oil & Gas Authority

Minutes of OGA Board meeting on 21 June 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	Sponsor Director
Andy Samuel	Chief Executive
Philip Lloyd	Interim Chief Financial Officer
Gunther Newcombe	Director, Exploration and Production
Scott Robertson	Area Manager, Central North Sea
Matthew Redrup	Commercial manager
Russell Richardson	General Counsel
Fiona Gruber	Board secretary

Introductions

The Chairman welcomed members and guests to the meeting.

Minutes of 21 June meeting

The Board approved the minutes of the 21 June meeting were discussed and minor amendments agreed. 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.

Audit Committee report

The Chair of the Audit Committee confirmed that the Committee was satisfied with the 2015-16 internal audit report on the OGA's governance, risk management and internal controls. The overall internal audit opinion was "moderate", or satisfactory, with no overdue actions from the audit work. The Committee discussed the draft 2015-16 Annual Report and Accounts, making a number of comments and suggestions on its drafting and structure. The audit work was ongoing and the audited accounts would be brought to the Committee when it meets on 28 June.

Asset stewardship strategy update

The Area Manager for the Central North Sea updated the Board on progress in producing his Asset Stewardship Strategy, which focuses on four core elements: stewardship plans expectations, tiered stewardship reviews, rationalised industry data surveys, and benchmarking. Feedback from his extensive consultations with industry and OGA colleagues has been consolidated into 19 expectations. Templates will now be developed for each expectation, to frame how each would be implemented. Additional work will now be done to ensure that the final set of expectations is consistent with the MER UK Strategy. Tiered stewardship reviews would monitor progress and expectations would be measured against sector benchmarks and anonymised survey data.

The Board commended the framework and agreed that asset stewardship work should maintain an aspiration to excellence. The Board cautioned that the expectations may need to be distilled further and



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highlighted the need for expectations to rise over time. The Board noted the industry's support for the OGA's asset stewardship work to date but suggested that further work to evaluate the regulatory burden on all companies would be beneficial.

Exploration update

The Director of Exploration and Production updated the Board on the OGA's work, with industry and government, to revitalise exploration in the UKCS. He highlighted the considerable medium-term potential in both mature and frontier areas of the North Sea and stressed that the more difficult area was increasing exploration and appraisal activity in the short-term. He did not think that the fiscal regime was a barrier but thought there was potential for government to stimulate activity in other ways. He underlined the potential for improved technical work to improve well success rates and support increased exploitation of small pools.

The Board thanked Gunther for his team's substantial and high quality work to unlock the potential of the North Sea.

Investor engagement update

The Commercial Manager updated the Board on the OGA's investor engagement programme, which has focused on identifying barriers to investment, promoting the UKCS, and exploring the potential to better connect divestors with investors, with the emphasis on ensuring the right assets are in the right hands. The team is also endeavouring to quantify the extent to which decommissioning liabilities are a barrier to investment and to understand the risks associated with new financing models.

The Board supported the commercial team's work to promote investment in the UKCS and identify barriers to investment and late life asset transfer, but cautioned that the OGA should not promote specific investment activity. The Commercial manager agreed to provide the Board with a regular synthesis of investor sentiment.

Sponsor Director's report

The Sponsor Director updated the Board on the Parliamentary timetable for scrutinising the affirmative regulations under the Energy Act 2016. The OGA remains on track to be vested as a government company later in the year.

The Sponsor Director thanked the Board for the significant support and expertise the OGA continues to provide to DECC's low oil price contingency team.

Chief Executive's update

The Chief Executive updated the Board on the status of the OGA's transformation work, with the focus is on three areas: creating a vision; making MER UK a reality; and company commercial behaviours. Industry focus on ensuring the cost and efficiency taskforce delivers and continuing programmes (such as data and technology) will also be transformational. He briefly outlined his thoughts on vision and, in particular, the potential to transform problems, such as domino effects, into opportunities.

The Chief Executive thought the recent Values and Principles workshop helped establish a common understanding of a vision for the UKCS which, among other things, would inform the Board's strategy session with the Leadership Team in September.



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Finance report

The Board thanked the interim Chief Financial Officer for the enhanced narrative in his finance report and acknowledged that compiling the report had been hampered by teething problems following DECC's implementation of a new financial reporting system.

Future meetings

In July, the Director of Policy, Performance and Economics will discuss making MER UK a reality and the General Counsel will update the Board on vesting issues.

There is no meeting scheduled in August but there is a placeholder for a teleconference, if needed.

In September, the Board and Leadership Team will meet to discuss future strategy.

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

The November Board meeting is expected to be held in Dorset, in conjunction with a visit to Wytch Farm.

Sector strategies will continue to come to the Board when ready.

There was no other business.

Board secretary
June 2016