



Oil & Gas Authority

Minutes of OGA Board meeting on 22 September 2015 Atholl House, Aberdeen

Attendees:

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| Sir Patrick Brown | Chairman |
| Andy Samuel | Chief Executive |
| John Ogden | Chief Financial Officer |
| Stephen Speed, DECC | Sponsor Director |
| Angela Seeney (guest) | Director, Technology, Supply Chain and Decommissioning |
| Hedvig Ljungerud (guest) | Director, Policy, Performance and Economics |
| Craig Watson (guest) | Implementation team |
| Eva Zuckschwerdt | PS to Andy Samuel |
| Fiona Gruber | Board secretary |

Introductions

The Chairman welcomed Angela Seeney, Hedvig Ljungerud and Craig Watson to the meeting.

Minutes of 23 July meeting

The Board approved the content of the minutes of the 23 July meeting but asked the Board Secretary to render them in a briefer, more impersonal style. Progress of outstanding actions, as recorded in the action log, was noted.

Action: Board Secretary to amend minutes of 23 July.

Conflicts of interest

The Board approved the proposal to ask all OGA staff to complete conflicts of interest returns.

Action: Chief Financial Officer to implement the policy.

Director's presentation

The Director Technology, Decommissioning and Supply Chain cautioned that industry continued to underestimate the pace, scale and scope of decommissioning, although there was increasing awareness of the risks of poor planning and poor collaboration. She highlighted the acute risk of costs escalating when decommissioning peaked but noted that Energy Bill powers would enable the OGA to demand cost effective decommissioning plans and greater efficiency. She is developing a stewardship plan with the Director of Exploration of Production which will integrate exploration, production and decommissioning plans.

Angela underlined the importance of promoting a more competitive decommissioning model, stimulating new market solutions and fostering greater transparency and integration. She stressed the need to ensure that the right assets were in the right hands by lessening obstacles to mergers and acquisitions. The Board supported her proposal to do more to share best practice and lessons learned in this area and agreed that managing the transfer of decommissioning liabilities was a key challenge.

She outlined progress in developing a single decommissioning Board which will drive the decommissioning process and deliver the decommissioning strategy.



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Sponsor Director's report

The Government will make a statement of energy policy when the 25 November spending review is announced. The Sponsor team continues to build its capacity but may require greater policy strength, particularly on decommissioning. The Board agreed the inputs for the OGA six month review meeting on 7 October.

Energy Bill

Decommissioning has yet to be discussed in detail but Lord Bourne will be tabling several amendments to enhance the cost effectiveness of decommissioning plans. The OGA will set out five principles to guide the decommissioning process and will issue guidance following a consultation with industry.

Carbon Capture and Storage (CCS) - there has been considerable pressure at the Committee stage of the Bill to enhance the OGA's role in this area. In response Lord Bourne will table amendments by 12 October which will highlight the fact that the OGA has locus for this. The Board agreed that the OGA should be transparent about how it uses fees to cover its CCS activity.

Chief Executive's report

The Chief Executive reported good progress in the past two months. Among the highlights was that one of the OGA's seismic vessels was able to tie into one of the two good new discoveries. The weak oil price continues to cause uncertainty among licence partners and operators, some of whom are being cautious in anticipation of a lower supply chain costs. He highlighted instances where early OGA light-touch intervention has been effective in preventing issues escalating. He stressed the importance of maintaining a strong focus on exploration and production in the MER strategy.

OGA media messages have been good and balanced and the OGA opportunities matrix was popular at Offshore Europe, as were the OGA seminars. Andy encouraged the Chairman and Stephen to attend the OGUK awards in November. The Board noted that the media and external relations strategy will be brought to the Board, potentially in October.

Job losses and potential industrial action remain a big concern and the OGA is working with OGUK to mitigate these issues and improve operator communications.

OGA recruitment is on track overall although the candidate pool in some areas has been disappointing, with salary levels a particular challenge.

Horizon scanning: EU and international issues

The Director of Policy Performance and Economics highlighted the four key current legislative risks to the sector, as described in her Board paper.

The Board agreed that:

- i) The OGA should play a full - but not leading - role in establishing the UK position on relevant international dossiers;
- ii) The OGA should limit its role in related work and implementation to that which falls within its MER UK remit; and
- iii) Should the OGA wish to take a separate and dissenting position on any international issue, the prior consent of the Board should be obtained.

Policy on UK content in offshore oil and gas projects

This policy defines the extent of the OGA's involvement in improving operator and supply chain processes on offshore oil and gas projects. The policy advocates the reinstatement of the Cross-Party Industry Group on UK content. The Board agreed to adopt the policy, subject to a minor amendment with regard to ensuring the UK market is aware of upcoming procurement.

Action: Hedvig Ljungerud to revise the policy wording and save an updated version on the management system.



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Corporate plan

The Board agreed that overall the draft plan is taking shape well and includes clear measurable targets. The Board asked for one or two sections to be sharpened and sought clarification on whether transferred pension entitlements would remain unfunded.

Finance update

The Chief Financial Officer assured the Board that DECC finance understood the forecast capex overspend and undertook to look at any current activities which are not levy funded.

Accommodation update

New Aberdeen HQ - Work on the Aberdeen office fit-out is progressing well and cost savings have been identified. Staff feedback from a visit prior to work starting was positive.

London office - interim solution

The OGA has agreed terms with TfL on its move to a larger footprint in King's Buildings. The OGA will move to the first floor (and basement meeting rooms) by Monday 28 September. TfL will take possession of the remainder of King's Buildings on 2 October, leaving no net residual liability for DECC.

London office - long-term options

Craig Watson outlined the cost, quality and location benefits of the proposed office space at 21 Bloomsbury Street, which is surplus Ofwat accommodation. A parallel proposal is being taken to the Ofwat Board on 24 September. The Board agreed that negotiations should begin, on the financial basis set out, once Ofwat Board agreement had been secured.

Action: Chief Financial Officer to commence commercial negotiations as soon as Ofwat Board approval is confirmed.

Managed services requirements

The Board acknowledged progress to date on managed services.

Future meetings/topics

The Director of Policy Performance and Economics will present in October.

AOB

The Minister has decided not to appoint a non-executive Director at this stage.

The Chairman will proceed with recruitment of three independent non-executive Directors, one of whom will now be the Chairman of the Audit and Risk Committee.

Two appointable candidates have been selected for two of the posts and the OGA is now seeking the DECC Secretary of State's endorsement.

Interviews for the third non-Executive Director, who will be Chairman of the Audit Committee, will take place in early October.

Action: Board secretary to ensure that the SoS's endorsement of the appointment of two non-executive Directors is sought quickly.

**Board secretary
September 2015**