



# Oil & Gas Authority

## Minutes of OGA Board meeting on 26 November 2015 48 Huntly Street, Aberdeen

### Attendees:

Sir Patrick Brown	Chairman
Mary Hardy (by phone)	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
Angela Seeney (guest)	Director, Technology, decommissioning and supply chain
Eva Zuckschwerdt	PS to Andy Samuel
Fiona Gruber	Board secretary

### Introductions

The Chairman welcomed Mary Hardy to the Board.

### Minutes of October meeting

The Board approved the minutes of the 22 October meeting. Progress of outstanding actions, as recorded in the action log, was noted.

### Conflicts of interest

The Chairman reminded non-executive Directors to declare any conflicts of interest. The Board Secretary will circulate the appropriate form to capture them.

### Director presentation

The Director of Technology, Supply Chain and Decommissioning updated the Board on the strengthened Technology Leadership Board (TLB), which the OGA co-chairs with GE. The TLB is accelerating its activity and focusing on four priorities: unlocking the potential of small pools; reducing the cost of wells; improving integrity and inspection efficiency; and reducing decommissioning costs.

Small pools have the potential to make a significant contribution to MER UK but cost reductions of 20-50% would be needed to make them viable. The Technology Board is seeking pragmatic new business solutions which will make investment in small pools viable. Operators and supply chain companies are collaborating effectively on this but some research councils have voiced concerns that funding this work may impact other areas.

The Board commended progress to date but highlighted the need to prioritise opportunities effectively and explore a broader range of funding sources. The Board cautioned that the Directorate's top priorities must be the development of data, IT and technology collaboration strategies.

### Sponsor's report

The Sponsor Director informed the Board of the outcome of the spending review and the Board discussed the Government's change of direction on CCS policy. The future dynamics of sponsor activities was likely to be affected by budget reductions but a simplified framework document would



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ensure that information continues to be exchanged effectively between the OGA and the Secretary of State.

Due to the current high volume of Parliamentary business, a date for the second reading of the Energy Bill in the House of Commons has yet to be confirmed. The Wood Review team will start work on developing the regulations in the interim.

## **Chief Executive's update**

The Chief Executive reported continued good progress on key actions: the OGA is facilitating earlier resolution of commercial disputes; production is increasing; and there is a clear narrative for the fiscal forum. The MER UK awards were a success in stimulating interest in the benefits of improved behaviour. The Chairman and Chief Executive gave evidence to the Energy and Climate Change select committee.

The results of the first OGA staff survey (conducted as a subset of the DECC survey) were encouraging, with performance on three of four key indicators improving significantly compared with the 2014 results for the LED Directorate. The leadership team will discuss the results with their teams to develop a deeper understanding of areas for improvement, particularly learning and development. There was general agreement that the results showed excellent progress in a short space of time.

Recruitment is proceeding as projected, although policy and commercial roles are proving more difficult to fill, the latter primarily due to pay levels. This matter may be raised with the Remuneration committee.

The OGA continues to be concerned that persistent low oil prices will deter investment and may lead to operator insolvencies. It is therefore reassessing the risks of well suspensions and will stress test scenarios at a lower price. It may be necessary to commission external analysis to assess the potential impact for government. The OGA is assessing the accelerating impact on the service sector of industry of reduced activity and undertook at the tripartite work group on late life assets to model potential decommissioning options.

**Action:** Board secretary to share HMT OGA work group notes with non-executive Directors.

## **MER UK Strategy and OGA Corporate Plan consultations**

On 6 November the OGA launched a consultation on its draft five year corporate plan and the 2016-17 levy. DECC launched a consultation on the draft MER UK Strategy on 18 November. Each consultation will last six weeks.

The OGA and DECC held joint workshops with industry in Aberdeen and London to discuss both consultations. The workshops were well received and the dialogue constructive.

On the corporate plan, the primary concerns were about pace, prioritisation and accountability for objectives. Additional clarity was also sought on the scope of the OGA's role on CCS and the supply chain.

Much of the feedback on the MER UK Strategy was legitimate and some passages are expected to be redrafted accordingly. A revised Strategy, highlighting substantive changes, will be brought to the Board - by correspondence if necessary - before it is submitted to the Secretary of State.

## **GovCo - new operational needs**

The Chief Financial Officer updated the Board on progress in detailing which additional freedoms the OGA should seek in order to operate effectively as a GovCo. The Board agreed that the OGA should



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not seek blanket exemptions and noted DECC and Shareholder Executive advice that clear evidence would be required for any exemption request.

## **Finance and accommodation update**

John signalled a significant change to the pay forecast, following work with Directors to re-profile staff allocations. The excess would be offset from underspend in the IT programme budget.

Some substantial levy invoices are overdue, which may be due to 'first invoice' administrative obstacles, and will be pursued.

The OGA moved into its new headquarters at 48 Huntly Street on 23 November and staff are settling in well. A lease for the OGA's new London office at 21 Bloomsbury Street will be agreed in the next month, with the OGA due to move in in March 2016.

## **Future meetings/topics**

There will be two guest speakers at the December Board meeting: the Head of Communications and External Affairs will talk about events and media planning; and the Head of Commercial will update the Board on his work to better understand the financial health of UKCS licensees.

There was no other business.

**Board secretary  
November 2015**