MER UK in Practice

Introduction

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Chief Executive
**Current context**

**Infrastructure**
- 5,000+ wells
- 250+ subsea systems
- 3,000+ pipelines
- 250 fixed installations

**Production (boepd)**
- 2014: 1.4 million
- 2015: 1.6 million
- 2016: 1.6+ million

**Production efficiency**
- 2014: 65%
- 2015: 71%
- 2015 range: 30% to 90%+

**Resources**
- Produced: 43bn
- Remaining potential: 10bn
- 20bn

**Development**
- 6.3bn boe
- in production or under development

**Exploration & appraisal**
- 2014 wells: 32
- 2015 wells: 26
- 2016 wells (est): 16 to 19

**Costs**
- Unit costs down by nearly 30%

- Average unit operating costs have fallen from £18 per barrel in 2014 to an estimate of £13 per barrel in 2016

**Supply chain**
- c.£30bn turnover
- 80% of UK oil and gas jobs
- 40% through exports

**Jobs**
- 330,000 jobs in the UK
- Delivered through or supported by upstream oil and gas activity

**Adapting to new conditions**
Delivering MER UK

MER UK Strategy

Relevant persons must, in the exercise of their relevant functions, take the steps necessary to secure that the maximum value of economically recoverable petroleum is recovered from the strata beneath relevant UK waters.

Strategic approach

Role of the OGA

- Regulate
- Influence
- Promote

- Effective stewardship
- Encouraging collaboration
- Investment and action

1st October: OGA vested as independent government company
### Progressive regulation

#### Top 10 - what’s changed?

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#### Sanctions

- Improvement notices
- Fines up to £1m
- Licence revocation, operator removal

#### Rewards

- Greater value via cooperation
- Transparency and better data access
- Timely, effective decision making
- MER UK benefits all

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### Our values

- Fair
- Considerate
- Accountable
- Robust

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**Balanced application of new regulatory framework**
Effective influence

Asset stewardship
- New approach
- Cross-lifecycle
- Supporting performance

Exploration
- New seismic
- New plays
- More flexibility

Area plans
- Strategic hubs
- More transparency
- Collaboration & consolidation

Company behaviours
- Measuring performance
- Updated practices
- Changing culture

Changing behaviour and increasing collaboration
Effective influence

Asset stewardship
- New approach
- Cross-life cycle
- Supporting performance

Exploration
- New seismic
- New plays
- More flexibility

Area plans
- Strategic hubs
- More transparency
- Collaboration & consolidation

Celebrating success

Rewarding best practice

Marginal gains

Changing behaviour and increasing collaboration
Promoting investment

HMT delivered globally competitive fiscal regime

- Adhere to driving investment plan principles
- Evidence sought for fiscal barriers to asset transfers

Promoting the UKCS as attractive investment destination
Enhancing the reputation of the UKCS Internationally

Working with FCO, SDI and DIT
Engaging with M&A advisors, investors and others
MER UK benefits

>70 Tripartite successes

**Type**
- Dispute Resolution
- Fiscal
- Collaboration
- Technical Advances
- Influence
- Flexibility

**Impact**
- Technology
- Supply chain
- Decomm
- Exploration
- Production Increase

Recent examples

**Area solutions**
- ConocoPhillips
- Repsol Sinopec
- Ithaca Energy
- Maersk Oil

**Appraisal drilling**

**Decommissioning collaboration**

**Technology solutions**
- Small pools
- Well cost reduction
- Asset integrity
- Digital & data
- Decom

Creating and unlocking MER UK value
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