Cost estimate

- Based on UKCS 2016/2017 Stewardship Survey utilizing operator supplied data with current and proposed offshore facilities, pipelines, all wells and onshore terminals
- Probabilistic approach used by combining ranges from survey classifications
- Approach and outputs reviewed with OPRED, HMT, HMRC and assured independently with Rider Hunt
- P50 probabilistic estimate is £59.7bn

Total estimated decommissioning cost by class of estimate

- Class 5
- Class 4
- Class 3
- Class 2
- Class 1
- Onshore class 4
- Unsanctioned class 5

Source: OGA Stewardship Survey

P10 £44.4B
P50 £59.7B
P90 £82.7B
Need for change

- Industry and government have shared desire to minimise cost
- Awareness that business as usual will not be sufficient to transform cost
- Typical improvements of 35% seen in other industries e.g. automotive and aviation
- Minimum target of £39bn based on 35% improvement on £59.7bn
Industry performance

**Brent**

- Estimated cost **decreased over £1bn over past 2 years**
- **Work with supply chain**: cost reduction in topsides and substructure removal
- **Reduced well P&A costs**: execution & contracting strategy, efficiency improvements
- **Learning transferable**: Shell willing to share

**CNR International**

- **2 years ahead of schedule**, estimated final cost **88% of sanction cost**
- Lessons learned to help **half cost of future projects**
- **Early engagement** with contractors, flexibility of schedule
- **Sharing/engagement** with regulators, peers and industry

**Murchison**

- Internal well P&A campaigns delivering **50% cost reductions**
- **Optimisation of schedule** and market flexibility
- Multi-operator well P&A to further **reduce costs** and share experiences
- **Engaging with SNS peers/industry**

Tangible evidence of significant cost saving by industry
Measuring progress

• Future cost estimates will be normalised against 2016 baseline taking into account Inflation, scope additions & completions
• Values plotted to give a percentage realisation towards target
• Improvements in estimates will be identified through operator engagements
• Reduction of 35% is at industry level and not expected from every operator for every asset
Cost reduction focus

Total estimated decommissioning cost by category

- Owners Cost
- Well P&A
- Topside removal
- Subsea Infrastructure
- Substructure removal
- Onshore recycling

Total estimated decommissioning cost by area

- NNS
- WoS
- CNS
- SNS
- IS

Cost certainty and reduction
- Benchmarking
- Metrics identifying high cost elements
- Standardisation of methods
- Sharing good practice

Delivery capability
- Learning from other industries
- Innovative approach to contracting and commercial strategies
- Changing behaviours

Regulatory guidance
- Improve awareness
- Communicate requirements
- Develop tools e.g. cleaning

Well abandonment
- Campaign approach to well P&A
- E&A suspended well stewardship
- Pilot and upscale

Potential savings (not additive)

10%-15%
35%-45%
15%-20%
25%-35%

Key focus areas identified and industry task force initiatives already set up

Source: OGA Stewardship Survey
Next steps

- The OGA issued decommissioning cost report on 29th June to communicate cost, target and intent.
- Engage with operators to work key cost reduction focus areas, share meaningful metrics (£/tonne) and tools (Basis of Estimate) & review cost data with operators via dashboards.
- Joint OGA and industry taskforces to deliver key initiatives during 2017 into 2018.
- Update decommissioning stewardship survey in 2017 to provide improved information on decommissioning cost base.

Operator Dashboard

Operator Decommissioning Spend (£bn)

- Major
- Non-Major
UKCS Decommissioning
2017 Cost Estimate Report
available at:
www.ogauthority.co.uk