UKCS decommissioning – the cost challenge

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UKCS expected scope 2017 to 2025

- 214 fields with decommissioning activity
- >90 platforms to be removed
- Estimated annual cost for next five years: £1.7 – 2bn
- >1600 wells to be plugged and abandoned
- >500,000 tonnes topside removals
- >250,000 tonnes structure removal
- ~50,000 tonnes subsea infrastructure removal
- >5500 kms of pipelines to be decommissioned

Source: based on Oil and Gas UK Insights Report (November 2017)
Costs and DP approvals

Source: OGA 2017 Decom Cost Report

Source: BEIS data
Decommissioning Workflow

- Late life operation
- Warm stack/suspension
- Cold stack/suspension
- Removal
- Dismantling
- Monitoring

Images of oil rigs and platforms illustrating the workflow stages.
Our remit

**ODU**

- Approval and regulate decommissioning programmes for UKCS oil and gas installations and pipelines
- Decommissioning policy and guidance
- Protect against risk of companies defaulting

**OGA**

- Working to assess and minimise decommissioning costs
- Working with supply chain
- Delivering MER UK
Factors taken into consideration

**OGA role**
Ensure cost and efficiency are optimised

- **Stakeholders and public view from consultation**
- **Impact on the Environment**
  Views of OPRED
  Environmental Managers
- **Other users of the sea**
  Views of the Fishermen’s organisations
- **Impact on Safety**
  Views of the HSE
- **Approval of a Decommissioning programme**
  Secretary of State
- **Technical feasibility**
  Views of the Technical Specialist OPRED

*Image depicting offshore platforms and visual elements*
To steer the UKCS overall decommissioning cost to £39bn* or less

* 2016 money

How?

Engage early on decommissioning plans with operators

Publicise benchmarks using OGA Stewardship Survey data

Identify cost reduction opportunities/challenges for decommissioning

Promote collaboration across industry

Identify and share lessons learned

Support supply chain to develop capacity and efficiency

Ensure MER UK behaviour implemented

Asset Stewardship Expectations
## Strategy and Programme

### Cost certainty and reduction
- Driving targeted cost efficiency programmes including innovative and regional approaches with extensive and effective knowledge sharing and best practice adoption

### Delivery capability
- Developing an efficient and exportable low cost and profitable delivery capability supported by a competent and efficient supply chain, a selection of business execution models all designed to allocate risk, align industry participants and drive down costs

### Scope, guidance and stakeholder engagement
- Working with BEIS and other relevant parties to identify and evaluate opportunities to further optimise and define parameters for decommissioning scope and improve industry engagement

### Builds on the Strategy
- Focus over the next year
- Sets out a number of key deliverables
- Clear action plan and timetable for delivery
- Reviewed on an annual basis
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
How to deliver the £39bn target

By realising opportunities

By minimising risks
How to measure success to deliver the target?

1. Actual expenditure in previous year vs forecast as reported in the annual Asset Stewardship Survey

2. Change in total cost forecast vs previous year from Asset Stewardship Survey

3. Change in key cost area benchmark (P50) after each Stewardship Survey with new actual data

4. Improved cost definition for first 5 and 10 year forecast

5. Actual industry success stories indicating realised savings
Cross-industry opportunities

Sharing lessons learned

Collaboration

Unlocking technologies and innovation

Listening to each other

Benchmarking

Working within regulations
Thank you