



North Sea
Transition
Authority

Guidance on the development and use of Area Plans

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Scope and purpose of this document

1. The North Sea Transition Authority (the “NSTA”) is the business name of the Oil and Gas Authority (the “OGA”). The OGA remains the legal name of the company. References to the NSTA should be interpreted as the OGA.
2. This guidance has been developed to aid the UK oil and gas industry’s understanding of Area Plans. If you have any concerns or queries regarding Area Plans, please contact the relevant NSTA Manager in the first instance.
3. Area Plans are not intended to guarantee commercial returns for participants¹ but can help demonstrate alignment with the central and relevant supporting obligations in the OGA Strategy² (the “**Strategy**”). The NSTA may exercise any appropriate regulatory powers in relation to activities carried out in relation to an Area Plan.
4. All parties need to cover their own costs of involvement in all phases of an Area Plan. Where joint costs are incurred between industry participants, as indicated in a scope of work (SOW) document, allocation of these will be handled in the project governance subsequently agreed by the relevant parties. For the majority of Area Plans, the NSTA will normally expect Industry to lead on developing and delivering the plans.
5. This guidance is not a substitute for any regulation or law and is not legal advice. It does not have binding legal effect. Where the NSTA departs from the approach set out in this guidance, the NSTA will endeavour to explain this in writing to the person seeking a decision from the NSTA.
6. This guidance will be kept under review and may be revised, as appropriate, as experience and practice develop. If the NSTA changes this guidance in a material way, it will publish a revised document.

¹ The Strategy provides a safeguard that compliance with the central obligation will not lead to any individual company investing in a project or operating existing assets where there is not a satisfactory expected commercial return (SECR) on that investment or activity.

² The Strategy’s supporting obligations cover the following activities: governance, exploration, development, asset stewardship, technology, decommissioning, OGA plans, collaboration and carbon capture and storage projects. The required actions and behaviours cover timing, and cost efficiency.

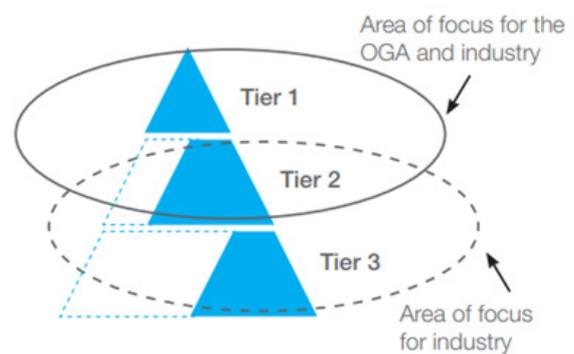
Introduction

Definitions

7. The definitions set out below are used in this guidance.
 - Area Plan – a proposal for action developed by, or in partnership with Industry to create a framework and process for collaboration on how the aims of the Strategy can be achieved in a particular geographical area of the UKCS, based on analysis of evidence. An Area Plan can be initiated by the NSTA, Industry or jointly by the NSTA.
 - OGA Plan – a plan, described in paragraphs 18 to 20 of the Strategy that sets out the NSTA’s views on how any of the obligations in the Strategy may be met. *This guidance does not cover OGA Plans.*
8. The NSTA is working closely with operators, licence holders and other interested parties to develop Area Plans across the oil and gas life cycle that integrate exploration, development, production, operations and decommissioning to achieve the aims of the Strategy.
9. Area Plans are a shared view amongst Industry participants of the optimal way to maximise economic recovery and in doing so achieve net zero in a specific set of circumstances.

10. Area Plans vary in magnitude, scale, and complexity and in some cases are integrated with other Area Plans. The relationship and fit between Area Plans are captured in the simple tier model in Figure 1.

Figure 1: Area Plan hierarchy



- Tier 1:** Significant impact on the aims of the Strategy and significant complexity.
- Tier 2:** Moderate impact on the aims of the Strategy and moderate complexity.
- Tier 3:** Low impact on the aims of the Strategy, and low complexity.
11. The NSTA intends to prioritise its efforts on Tier 1 and Tier 2 Area Plans.
 12. This guidance applies both when Industry unilaterally take action on area planning, with NSTA engagement later in the process, and when the NSTA initiates Area Plans.
 13. Case studies of recent Area Plans can be found at Annex B.

Competition law

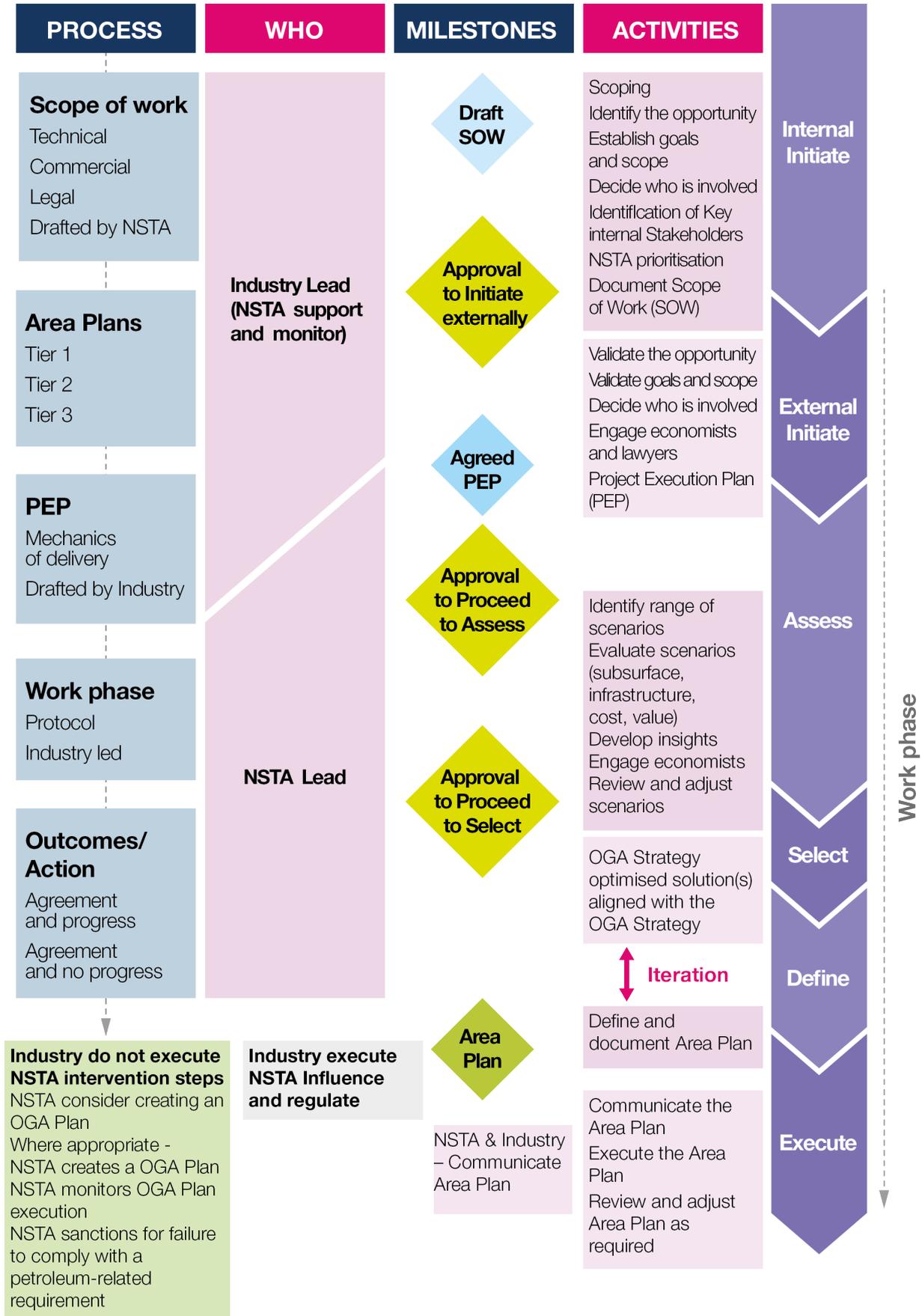
14. It is the responsibility of Industry participants involved in producing and implementing an Area Plan to seek their own assurance that their conduct is compliant with competition law and that an appropriate competition impact assessment has been completed prior to, among other things, sharing information. The NSTA set out the context and background to competition law in a competition and collaboration note³.

Stage-gate process

15. The NSTA has developed a stage-gate process (Figure 2) to help Industry develop and track Area Plans. This can be adapted as appropriate to suit individual Area Plans. A summary of the NSTA and Industry roles are also set out in Figure 2.

³ <https://www.nstauthority.co.uk/news-publications/publications/2016/competition-and-collaboration/>

Figure 2: Stage-gate process



NSTA Initiate phase

16. For Area Plans, the NSTA may take the lead in the initiate phase, identifying opportunities that may be realised through a collaborative approach in a specific area. Where it does take the lead, the NSTA may send an 'initiate letter' to the relevant parties and may publish it on the NSTA website.

Scope of work document

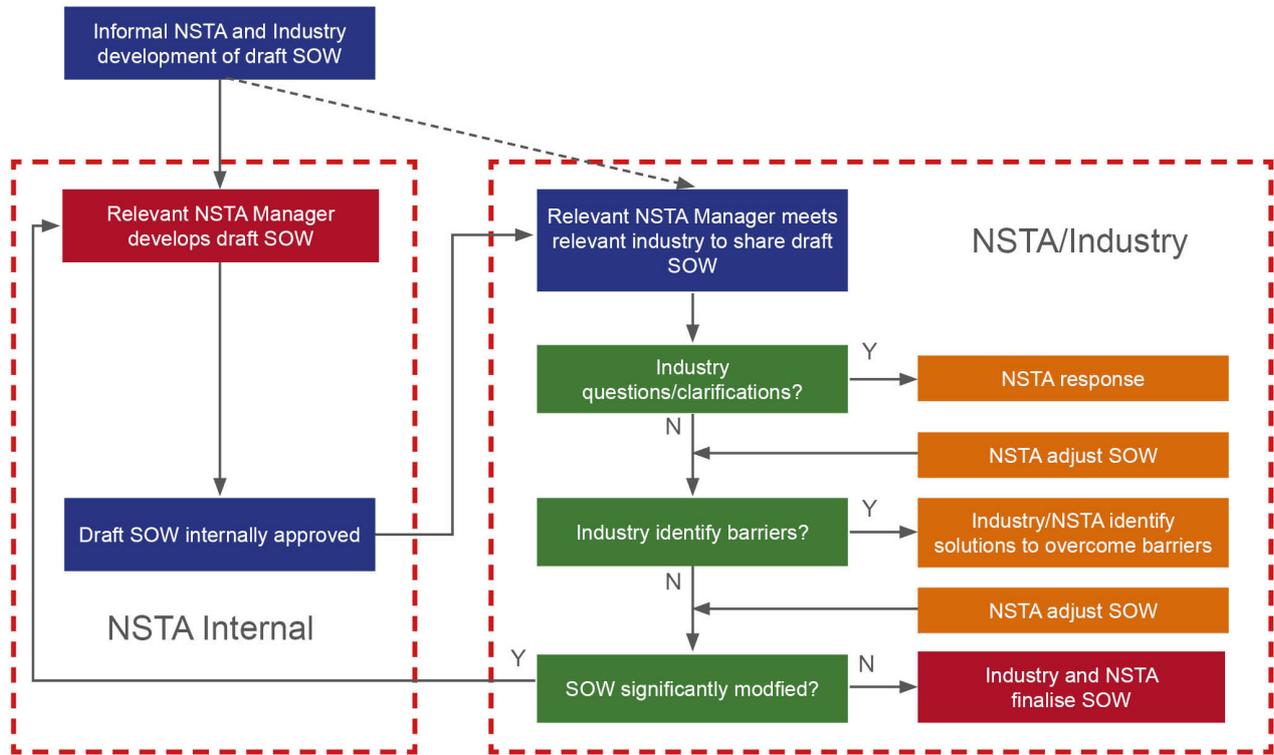
17. The first deliverable of the NSTA's initiate phase is to draft the scope of work 'SOW' document⁴. The SOW should be developed in collaboration with Industry at the beginning of the area planning effort, with the NSTA 'holding the pen'. The SOW will be a live document providing an Area Plan framework, to be matured (where required) throughout the process to reflect the understanding of the Area Plan as it develops over time at each stage. The SOW:

- Identifies the opportunity as understood at the time
- Establishes goals and scope
- Outlines the stage gate approach for maturing the Area Plan to allow for timely decision making and auditable tracking
- Identifies the participants to deliver and execute the plan
- Identifies data requirements for the project
- Establishes tier prioritisation within the NSTA

18. Figure 3 illustrates the process and decisions points to agree the SOW. It is likely that the 'NSTA internal' and 'NSTA/Industry' elements will be carried out in parallel and could involve joint NSTA / Industry workshops to maximise engagement and shared understanding. It is estimated that it will normally take between four and 12 weeks to finalise the SOW.

⁴ The SOW template can be found in Annex A.

Figure 3: Scope of workflow chart



Project-execution plan

- 19. Where appropriate, Industry will develop a project execution plan (PEP) for the Area Plan, with assistance from the NSTA, and in accordance with NSTA Stewardship Expectation 5⁵ as appropriate. This is the final step in the initiate phase of the stage-gate process, and it is estimated that the process to complete the PEP will take about three weeks, but this will vary dependent on the size and complexity of the Area Plan.
- 20. The PEP is a working document that sets out the mechanics of the Area Plan execution including data templates; any competition law requirements (if applicable); a level-one plan with detailed deliverables from each phase; roles and responsibilities of Industry and the NSTA and governance requirements.

- 21. When assessing a PEP the NSTA may consider, amongst other things, whether the PEP addresses the critical success factors of appropriate people for the work team; time line target; compliance with the requirements of competition law and other legislation and success factors of use of stage gate process; clearly defined project scope; credible data to support the proposed outcome captured in an agreed template and the development of a shared view to achieve the aims of the Strategy.
- 22. Where the NSTA initiates an area plan, and there is limited Industry involvement at this stage, a PEP will likely not be required. In these circumstances, the NSTA SOW is normally the final step in the initiate phase. However, discussion of this SOW will form part of any guidance given in a later transition of the lead role from the NSTA to Industry.

⁵ Robust Project Delivery Stewardship Expectation 5 (nstaauthority.co.uk)

Work phase – Assess, Select and Define scenarios

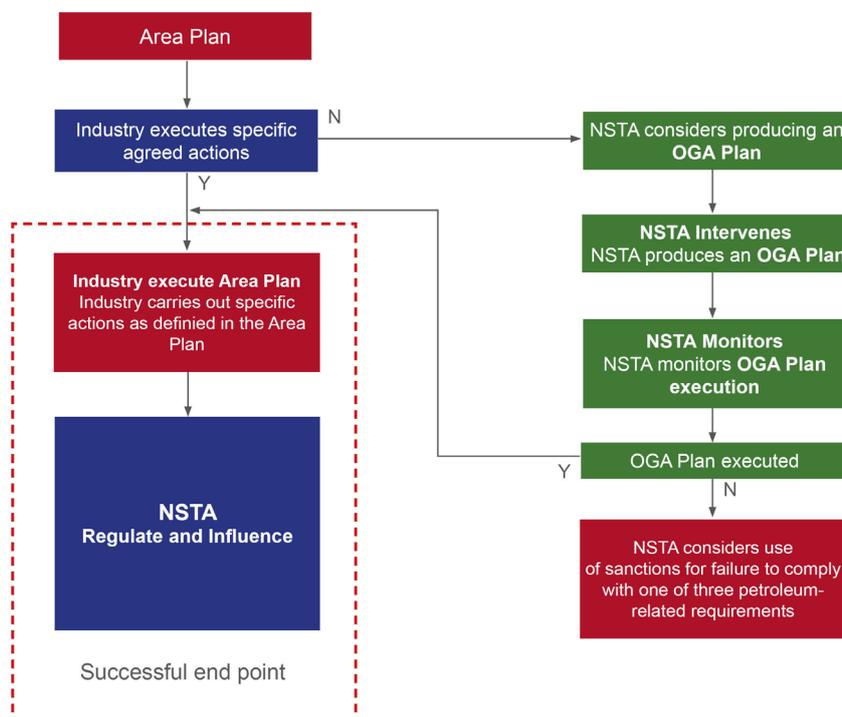
23. Industry should take the lead in the work phase, developing the solution. An Industry project lead should be identified by participants to deliver the Area Plan.
24. In the work phase, the project lead should:
 - Identify a range of scenarios for the Area Plan
 - Gather data to support proposals
 - Evaluate the scenarios, potential outcomes and models (subsurface, infrastructure, cost and value)
 - Deepen understanding of scenarios and develop insights into the potential outcomes
 - Identify the scenario that maximises economic recovery
 - Define and document the Area Plan.
25. Depending on the approach taken, the project leader may need to seek modelling input from outside the project team including from an independent third party.
26. During the work phase it is important to revisit the selected scenarios to ensure they are still valid or to adjust where necessary.
27. In the work phase of an Industry-led Area Plan, the NSTA will have a relatively light touch role to gauge whether progress is being made in line with the schedule in the SOW document and/or PEP. This will normally include attending regular planned meetings; considering whether the scope has changed; and answering any questions. The NSTA may undertake analysis where sensitive information cannot be shared with the work group. Any such requirement for NSTA/third party analysis will likely be made clear in the SOW document.
28. During the work phase, the NSTA may also carry out additional internal technical or economic analysis to increase its specific knowledge of the proposed scenarios pertinent to the Area Plan to develop a point of view.
29. Further, and as a minimum, the Area Plan must have the sections set out in the SOW document (Annex A). Once the optimal way to achieve the aims of the Strategy has been 'defined' it should be added to the draft Area Plan by the project leader and shared with the with the relevant NSTA Manager. The NSTA team, led by the relevant manager will seek internal NSTA comments.
30. Following this, the Area Plan will be submitted to the relevant NSTA Director for feedback as to whether, based on the current information, it is broadly consistent with the central obligation of the Strategy.

31. The relevant NSTA Director will consider whether the plan is a robust plan, or a weak plan based on the following:
- **Robust plan** – based on the current information, it is broadly consistent with the central obligation of the Strategy and so Industry will continue to collaborate to execute the Area Plan
 - **Weak plan** – based on the current information, it is not broadly consistent with the central obligation of the Strategy. In such circumstances, the NSTA is likely to request more work to cover specific elements over a fixed period. On second presentation, it is expected that the plan will be robust

Execute phase

- 32. Industry should take the lead in the execute phase, implementing the solution.
- 33. Once the NSTA has given its feedback that in its view based on the information before it, the Area Plan is broadly consistent with the central obligation of the Strategy, it is expected that the Area Plan will be executed by Industry.
- 34. During the execution phase it is important to revisit the Area Plan to ensure it is still valid or to adjust where necessary.
- 35. If Industry executes the Area Plan and carries out the actions, the NSTA will support their activities through its role to **regulate and influence**.
- 36. If Industry does not execute the specific actions as per the agreed schedule, the NSTA may steward the Area Plan using the wide range of powers and tools at its disposal – these include the licensing regime, consents, OGA Plans, and other regulatory powers where applicable.
- 37. The execute phase and relevant decision points are summarised in Figure 4.
- 38. For Tier 1 or Tier 2 level Area Plans when there is no clearly identifiable lead operator, the NSTA may as a last resort take a more active role. The NSTA would assist Industry in the work phase to enable a shared view amongst Industry participants of the optimal way to achieve the Strategy in the specific set of circumstances and thus the production of an Area Plan.

Figure 4: Execution of the Area Plan



Area Plans as OGA Plans

39. If there is insufficient progress from Industry during the work phase of developing an Area Plan, the NSTA may intervene to take the lead from Industry – i.e., complete the analysis and share findings with relevant Industry parties and consider whether to produce an OGA Plan based on the Area Plan. An ‘OGA Plan’ sets out the NSTA’s view of how any of the obligations of the Strategy may be met. The NSTA is likely to intervene to take the lead when:
- The process to develop an Area Plan is not proceeding as per the agreed schedule in the SOW document or
 - The NSTA considers that the emerging Area Plan is not broadly consistent with the central obligation

Sanctions

40. The Energy Act 2016 gives the NSTA sanction powers where a relevant person has failed to comply with one of three petroleum-related requirements. These sanctionable requirements are:
- A duty to act in accordance with the Strategy
 - A term or condition of an offshore licence
 - A requirement imposed by specified provisions in the Energy Act 2016⁶
41. The NSTA sanction procedure guidance can be found [here](#).

Communicating the Area Plan

42. Once the NSTA has given its feedback, based on the information before, it that the Area Plan is broadly consistent with the central obligation, the NSTA and Industry should consider on a case-by-case basis how to share the details of the Area Plan. As a public body regulator, the NSTA will usually publish details of an Area Plan at a high level on our website.
43. The NSTA will ensure that insights and specific actions derived from area planning are available to relevant individuals within the organisation so that they can be embedded in normal work and the NSTA can **regulate and influence** in accordance with the Area Plan.

⁶ The provisions in the Energy Act that are sanctionable are in relation to: certain dispute-resolution powers; provision of information and samples; meetings; requirements of the sanctions process itself.

Annex A: Scope of work template

Area Plan – scope of work and approval to commence

[Region / Area of Focus]

This scope of work ('SOW') sets out the rationale and the proposed high level scope of the study(ies) to be performed to develop the [] Area Plan.

This SOW outlines the goals, governance, methodology, workflows, required people, deliverables and engagement strategy associated with the study together with issues/impacts taken into consideration in arriving at the proposed approach.

TOR Title	Number	Revision	Date

	Name	Signature
Proposed by:		
[title]		
Approved by:		
[title]		

Executive summary

Outline of the project for which approval is sought.

Issue statement

Rationale for developing an Area Plan

Why are we doing this project? Define the opportunity.

Goals to be addressed

Goal

What are we going to address/deliver?

Boundaries

Identify any specific boundaries to the project.

Decision quality

Identify the criteria to be used in determining the ranking of various options/scenarios, for example:

- a. maximise the value of economically recoverable petroleum
- b. maximise recovery around production hubs
- c. prolong life
- d. provide additional capacity
- e. efficient decommissioning

Methodology – technical and economic evaluation

This section uses the stage-gate process on which to document the phases of the work programme.

Phase	Approach	Resources Required	Risks/ Concerns	Competition Sensivity	Comments
Initiate					
Assess					
Select					
Define					
Execute					

Who completes the work

This section discusses the options considered and rationale for choice of who should carry out the main body of work.

Option 1: Industry completes the work (default position)

- a. Workgroup does the work; or
- b. Independent third party

Option 2: NSTA completes the work

Deliverable(s)

This section defines the media used to record and communicate the goals from the project.

Element	Required Yes/No	Description	Sensitivity NSTA/ Industry/Public
Study Report			
Strategy Word Document			
Slide Packs			
Other			

NSTA intent of use of deliverables

- To update the NSTA Prospect Inventory and Discovery database
- To articulate the Regional Value Pie (100% basis)
- To describe the optimum position, concept or life extension and investment case for new hubs and infrastructure to achieve MER UK and Net Zero
- To encourage further investment and potential new players in the Area
- To create confidence for funders and to promote innovative developments transactions and commercial structures such as – Farm-Ins, Asset transfers, Joint Developments, Area Unitisations or Companies
- To provide a mechanism for the NSTA to sense check that subsequent submitted Field Development Plans (FDPs) are aligned with the OGA Strategy e.g., oversizing of infrastructure for a future field

Engagement strategy

This section considers and summarises which interested parties will receive which deliverable from the project.

Number	Interested Party	Communication Approach	Comment

Governance structure

Structure and reporting

Assurance

Documentation

Study agreement requirement

A study agreement articulates the governance process between a defined set of participants, the participants' capacity into which they enter the agreement, the way in which data will be shared, boundaries of the study area (map, licence blocks etc), high-level project plan, confidentiality considerations and the scope of work.

Data collection

Specific data required to carry out this project

An important principle is for the whole workgroup to share the necessary relevant datasets. Include specific requirements for data sharing and evaluation.

Schedule

This section defines the timeline for the project.

Competition law

This section sets out any competition law requirements (if applicable).

Additional comments

Appendices

Regional map of study area

Companies involved

Data templates

Glossary of terms

Annex B: Case studies

Tier 1 – Southern North Sea Energy Hub

Project: To define the strategic vision for an Energy Hub, drawing together the multiple workstreams and participants across the energy sector in the region whilst managing the hydrocarbon stakeholders to ensure that activities remain integrated and MER and net zero is achieved.

Summary:

- The regional remaining hydrocarbon reserves are economically and technically challenged
- Misalignment exists between the terminal operators, with respect to late life plans and opportunities to extend terminal life
- The Hub was to date not considered as a key Energy Hub and hence is not part of any existing CCS or hydrogen development projects, as the focus has been decarbonisation of industrial clusters and there are minimal combustion sources located at the terminal
- The Southern North Sea, in which the Hub is located, is one of the largest wind power expansion areas, has access to indigenous undeveloped hydrocarbons and potential to import gas from the continent. This means the area has the right conditions for the development of blue and green hydrogen generation facilities to support the decarbonisation of domestic and industrial heating in the South East of England and London

Benefits:

- Fostering a collaborative approach to enable energy integration to establish a consortium to execute the project and secure terminal longevity
- Protection of, or extension of, the CoP of offshore infrastructure and the onshore processing terminals is required to mitigate the risk of terminal and offshore facilities running at a significant economic loss during the maturation phase of the Energy Hub project
- Re-purposing of key infrastructure to reduce the CAPEX investment required to implement the Energy Plan would help to maximise the future area value
- Up to 2 TCF incremental hydrocarbon production
- Up to 1 billion NPV (indicative)
- Opportunity for the NSTA to undertake a focussed licence round, 'right assets right hands'
- Up to 18 MtCO₂ carbon abatement with the region playing a key role in the UK achieving net zero

Tier 2 – Central North Sea Area Plan

Project: To identify suitable infrastructure and evaluate collaborative development options to MER in the early project stages, and then identify and execute option which delivers most economic return and recovery – Industry led but small in scale.

Summary: Licence extensions were needed for three licences and MER UK workgroup possibly breaking apart due to divergent timelines for crucial decisions.

- In 2015 the NSTA requested operators build a common economic model to identify what the best MER UK development concept would be
- Each opportunity has its own independent development concept but a combined development concept through a single host was not initially being considered
- The Industry-led project identified that the best MER UK outcome was all three projects choosing the same host solution and being developed together. However, realising this is still difficult as operators have different priorities

Benefits:

- The NSTA has continued to work and input to collaborative development of models with operators. This has clearly demonstrated the greater value available through a collaborative joint development
- Enabled a MER UK optimising scenario to be identified and the project to continue at pace
- The chosen scenario has secured a life extension to the infrastructure
- Eliminates one of the unknowns in the Central North Sea (CNS) Area Strategy and should ensure Industry's commitment to area does not waiver

Influencing operators to achieve the option that maximises MER UK will help maximise the NPV; support recovery of the fields; and secure a life extension to the selected infrastructure.

Tier 3 – Central North Sea Area Plan

Project: The connection of area production hub to an oil pipeline system.

- Tie-in point made available by disconnection programme

Summary: Fast-track project execution programme required – multiple parties.

- Due to short notice of the pipeline disconnection, less than six-month window to plan and execute tie-in works during planned 18-day maintenance shutdown – connection of new valve structure to enable subsequent pipeline tie-in
- Operational programme required system-wide involvement of shippers/terminal – disconnection/connection works performed under ambient pipeline isolation conditions

Benefits:

- Cross-party benefits captured through close collaborative working
- The commercial behaviours demonstrated during the project show an embracing of MER UK and that overall value can be increased through collaboration. There was recognition that value for certain parties would be increased, whilst for others it remained unchanged
- Enabled full offshore work programme to be delivered within time constraints, while securing operational synergies and cost savings
- The approach adopted during the CNS Area Plan is transferable across the Industry – a regional approach to problem solving across the value chain

Securing a long-term oil export route for the production hub

- Tie-in solution enabled a more complex and costly hot-tap connection to be avoided
- Pipeline export solution facilitates enhanced production uptime performance and reduces fixed operating costs – maximises reserves recovery and long-term value



North Sea Transition Authority

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