



Oil & Gas
Authority

Robust Project Delivery

Stewardship Expectation 5

July 2019

1. Expectation

The OGA expects that operators will efficiently manage a project portfolio and deliver projects to the schedule, cost and production performance in accordance with the consented field development plan (or addendum).

1.1 This Expectation focusses on:

- project portfolio management;
- project organisation and governance;
- front-end preparation; and
- maintaining value.

2. Reason for the Expectation

- 2.1 Improving project performance – the predictability of delivering on-time, at-cost and keeping initial production performance retains value, reassures investors and therefore, supports the principal objective of maximising economic recovery of UK petroleum (MER UK)¹.
- 2.2 Across the industry the OGA has observed delays and continual slippage in the delivery of field development plans and submission of applications for development consent within the prescribed licence second term.
- 2.3 This Expectation supports the MER UK Strategy, in particular the Central Obligation (paragraphs 7, 13 and 14) and paragraphs 18, 27, 28 and 29.

3. Delivering the Expectation

3.1 The OGA expects operators to be able to demonstrate that its project delivery business processes are consistent with:

- Requirements for the planning of and consent to UKCS Field Developments²;
- Robust Project Delivery Guidance, OGUK, 2Q19³; and
- A recognised collaborative behaviours assessment tool, such as ECITB Project Collaboration Toolkit⁴, to demonstrate they have created and maintained a collaborative working environment.

3.2 An explanation of regulatory alignment across a typical Stage-Gate Process is shown in Figure 1.

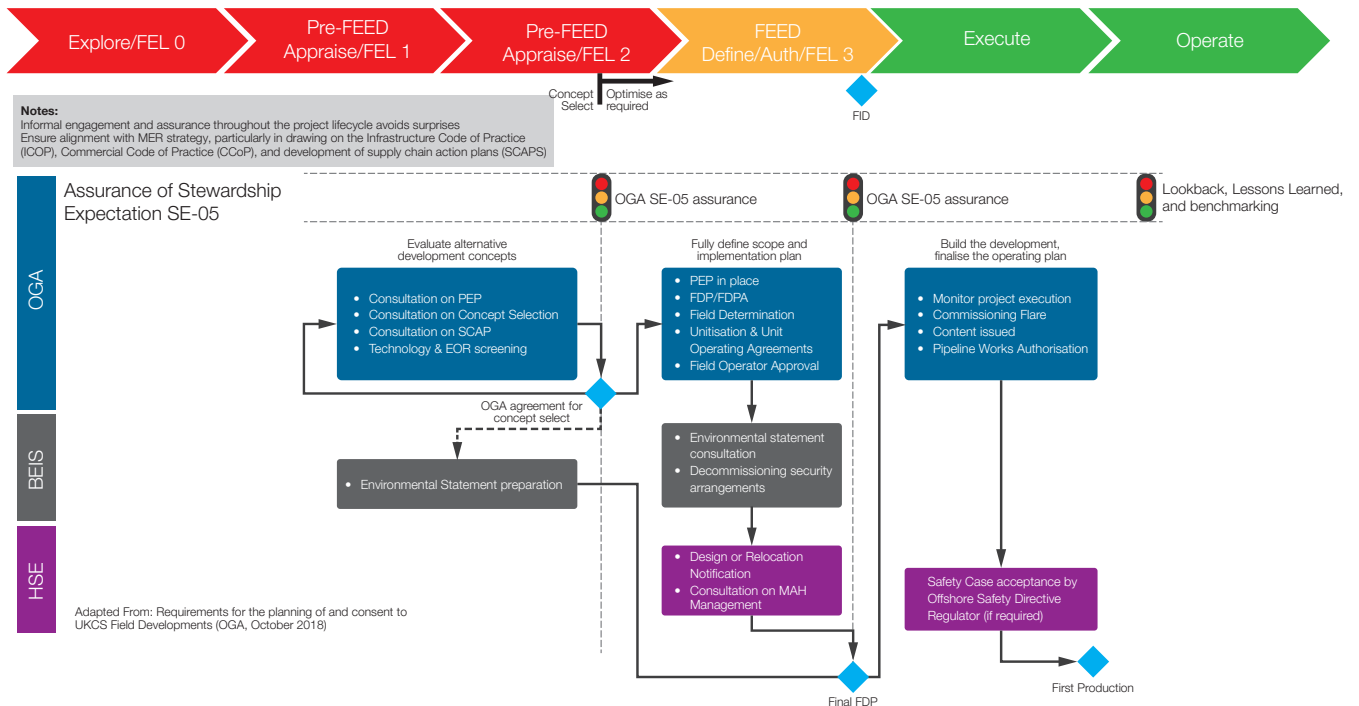


Figure 1: Regulatory Alignment with a Typical Stage Gate Process

A: Project Portfolio Management

- A.1 The OGA expects that discoveries should be moved through to FID, or the licence relinquished, in a timely manner. Operators are therefore expected to:
- A.2 Demonstrate the use of a systematic process to identify and prioritise the planning and development of all licensed discoveries;
- A.3 Present a work programme for each licensed discovery, from the start of the licence development phase (usually the Second Term) through to production startup;
- A.4 Demonstrate how the work programme, up to FDP(A), will be resourced and funded;
- A.5 Demonstrate how they will track and maintain delivery against the work programme and;
- A.6 Highlight to the OGA any deviations from expected progression through the licence second term.

B: Project Governance and Organisation

- B.1 Operators are expected to demonstrate for each project that appropriate project governance and organisation is in place, including but not limited to the following elements:
- B.2 A project governance and management structure that defines the decision makers, project owners, joint venture partners and regulators;
- B.3 The capability and competence of key roles including project managers and project leadership;
- B.4 Defined, documented and distributed project goals, roles and responsibilities, delegation of authority, and a management of change process; and
- B.5 A defined organisational structure to support an integrated approach including subsurface, well operations, facilities, production operations, logistics, supply chain, commercial and finance, and joint venture partners.

C: Project Management

C.1 Operators are expected to demonstrate:

- The use of a project management process to deliver the project objectives and milestones, including the decision-making process, stage-specific progression criteria and decision hold points;
- How quality and assurance is being applied, appropriate to the size/complexity of the project;
- Employment of a project-specific risk management process, including technical and non-technical risks; and
- That lessons learned are incorporated to ensure continuous improvement to the business process.

D: Project Delivery

Front end preparation (project assess and authorise phases)

- D.1 The OGA expects the operator to ensure that the front end preparation will secure maximum value to the project, including by:
- D.2 Delivery to the OGA of a concept select report at the end of the 'Assessment' phase showing how options have been considered and the decision criteria adopted;
- D.3 Demonstrating that technology and EOR assessments have been undertaken;
- D.4 Delivering a field development plan at the end of the 'Authorise' phase (FID) including final investment approval from operator/joint venture partners;
- D.5 Establishment of a project execution plan (PEP), to be updated at each stage of the project. The PEP should describe how the project is intended to be carried out, including:
- Project overview
 - Project organisation, including JV arrangements
 - Approval and assurance strategies
 - Project execution details:
 - Contracting strategy
 - Project controls strategy
 - Risk and opportunity management
 - Change management processes
 - Safety and quality management;
- D.6 Applying probabilistic cost estimates and sensitivity analyses to provide a view of the project's range of uncertainty;
- D.7 Finalising all commercial arrangements as far as possible with any remaining agreements included in the overall PEP;
- D.8 Developing a Supply Chain Action Plan (SCAP) to demonstrate the early engagement and alignment of the supply chain to the project objectives;
- D.9 Demonstrating that lessons learned have been incorporated prior to the commencement of the next phase of the project;
- D.10 Developing a construction, commissioning, and handover strategy;
- D.11 Demonstrating an assurance and approval strategy that assesses the technical and commercial readiness against minimum gate acceptance criteria; and
- D.12 Demonstrating that benchmarking assessments have been carried out as appropriate for the scale of the project.

Execute Phase

- D.13 Supplementary to the completion of the front-end preparation the OGA expects the operator to:
- Execute the project in line with the PEP and the consented field development plan;
 - Demonstrate the completion of all commercial arrangements for all scopes;

- Track and show progress against initial project schedule and demonstrate how the schedule and scopes are being effectively managed;
- Demonstrate effective cost control and present any variance from sanctioned estimate;
- Develop and maintain a management of change process including effective decision making and cost and schedule impact; and
- Monitor risks and opportunities in support of the project.

Closeout Phase

D.14 The OGA expects the operator to submit to the OGA within an agreed time frame a closeout report including an assessment of cost, schedule and reserves against the consented FDP, and lessons learned.

4. Demonstrating delivery

4.1 The OGA currently engages with licensees and operators on a number of levels and in a number of ways, and information obtained from those engagements will help inform the OGA of the extent to which a licensee or operator may be delivering this Expectation. These include, for example:

Annual Stewardship Survey

4.1.1 The OGA's Annual UKCS Stewardship Survey collects a range of data from licensees and operators for each production licence in the UKCS. The OGA may request additional information or reports. The OGA generally uses its powers under section 34 of the Energy Act 2016 to obtain such survey data and additional information.

Performance Benchmarking

4.1.2 The OGA may produce benchmarking data on a variety of metrics derived from the Stewardship Survey data and other information provided to it. These data will generally be presented to industry in aggregated form and used in Tier Reviews with companies to improve performance.

Tier Reviews

4.1.3 The OGA will request an operator's participation in Tier Reviews in accordance with the OGA's Stewardship Review Guidance⁵. That guidance provides further detail on the Tier Review structure, prioritisation, planning, execution and follow-up. The OGA will set the agenda for the Tier Review to focus on issues it considers present the greatest stewardship impact, and based on data received in the Annual UKCS Stewardship Survey, benchmarking and delivery against this Expectation.

5. References

1. The Maximise Economic Recovery Strategy for the UK
2. Requirements for the planning of and consent to UKCS Field Developments
3. Robust Project Delivery Guidance, OGUK, 2Q19
4. ECITB Project Collaboration Toolkit
5. OGA's Stewardship Review Guidance
6. Lessons Learned from UKCS Oil and Gas Projects 2011–2016

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