



Oil & Gas
Authority

Cost Effective Decommissioning

Stewardship Expectation 10

July 2019

1. Expectation

The OGA expects that operators are able to demonstrate a robust approach to minimise decommissioning costs.

1.1 This includes having and implementing:

- A Decommissioning Strategy;
- A Plan for Decommissioning;
- Execution and Contracting Strategies; and
- Robust projections of decommissioning cost and performance.

2. Reason for the Expectation

- 2.1 To support the OGA strategic objective of reducing decommissioning costs by at least 35% from the 2016 baseline by 2022, to minimise the burden to industry and Treasury, and increase confidence in accuracy of the cost estimate.
- 2.2 To promote supply chain and operator capability to provide direct benefit to UK decommissioning activity and indirect benefits, including inward investment to the basin and export opportunity for UK companies.
- 2.3 This Expectation supports the MER UK Strategy¹, in particular the Central Obligation (paragraphs 7, 20, 21 and 29) and paragraphs 27 and 28.

3. Delivering the Expectation

A: Overview

A.1 The OGA's Decommissioning Strategy² and the 'Glidepath for success' (Figure 1) should be used to frame the planning of cost effective decommissioning.

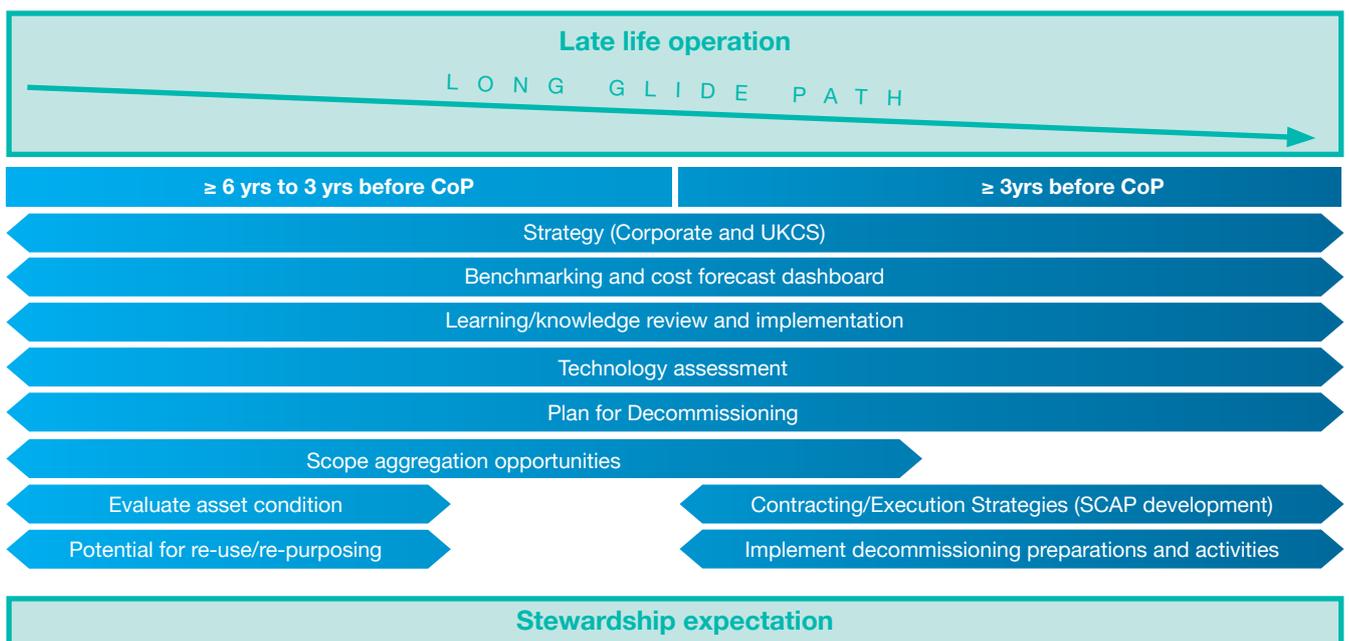


Figure 1 – 'Glidepath for success'

B: Decommissioning Strategy

- B.1 Operators should have a Decommissioning Strategy in place.
- B.2 A Decommissioning Strategy defines an operator's approach to cost-effective decommissioning delivery and should be in line with MER UK obligations.
- B.3 Operators should have appropriate financial provisions and plans to fund decommissioning.

C: Plan for Decommissioning

- C.1 At least six years prior to the expected permanent cessation of production (CoP) of the asset, operators should have a Plan for Decommissioning in place.
- C.2 A Plan for Decommissioning should detail cost effective execution of decommissioning obligations in accordance with regulatory requirements³ and the engagement with regulatory stakeholders^{1,4,5,6,7}. The Plan should also address shared infrastructures affected by fields decommissioning.
- C.3 A Plan for Decommissioning should be current and detail the following elements:
 - Decommissioning scope of work and timeline;
 - Interfaces and interdependencies management – including attention to shared infrastructure commercial agreements;
 - Regulatory and stakeholder engagement;
 - Opportunities and risks management⁸;
 - Cost estimate basis and maturity (AACE Class 3⁹ – or equivalent – at least three years before activities implementation);
 - Knowledge management/implementation and sharing of lessons learned¹⁰.

D: Execution and Contracting Strategies

- D.1 At least three years prior to expected CoP operators should:
 - Also have in place Execution and Contracting Strategies; and
 - Have communicated decommissioning scopes and indicative timings to the supply chain, using systems such as Oil & Gas Pathfinder¹¹.
- D.2 Execution and Contracting Strategies should detail the following elements:
 - Optimised execution and cost effectiveness;
 - Risk and opportunities management;
 - Assessment and application of best available technology and technology development;
 - Early supply chain engagement;
 - Contracting opportunities;
 - Collaboration initiatives and activities;
 - Scope aggregation opportunities;
 - Flexibility in responding to emerging market capabilities.

The Contracting Strategy should then form the basis for the Supply Chain Action Plan (SCAP)¹².

E: Robust projections of decommissioning cost and performance

- E.1 On an annual basis, operators shall share cost and performance information with the OGA through completion of the Annual Stewardship Survey. Robustness of cost estimates should be appropriate to the expected timing of spend. Performance information is to be structured in accordance with the Standard Oil & Gas UK Decommissioning Work Breakdown Structure (WBS)^{13,14}.
- E.2 An AACE class 3⁹ (or equivalent) cost estimate should be developed at least three years before each planned decommissioning activity.

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 Guidance¹⁵. 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 Maximising Economic Recovery Strategy for the UK
<https://www.ogauthority.co.uk/regulatory-framework/mer-uk-strategy/>
- 2 Decommissioning Strategy
<https://www.ogauthority.co.uk/decommissioning/strategy/>
- 3 Decommissioning Regulatory Roadmap
<https://www.ogauthority.co.uk/decommissioning/decommissioning-roadmap/>
- 4 BEIS Guidance Notes – Decommissioning of Offshore Oil & Gas Installations and Pipelines
<https://www.gov.uk/guidance/oil-and-gas-decommissioning-of-offshore-installations-and-pipelines>
- 5 SEPA Guidance – Regulation of Offshore Oil and Gas Waste
<https://www.sepa.org.uk/media/369293/wst-g-059-offshore-og-guidance.pdf>
- 6 Environmental Agency Guidance
<https://www.gov.uk/government/organisations/environment-agency>
- 7 Health and Safety Executive Guidance
<http://www.hse.gov.uk/>
- 8 ISO 31000 – Risk Management
<https://www.iso.org/iso-31000-risk-management.html>
- 9 Association for the Advancement of Cost Engineering (AACE), No. 34R-05
<https://web.aacei.org/>
- 10 Decommissioning Learning (micro) website
<https://www.ogauthority.co.uk/lessons-learned/>

- 11 Oil & Gas Pathfinder
<https://www.ogauthority.co.uk/supply-chain/oil-gas-pathfinder-previously-project-pathfinder/>
- 12 Supply Chain Action Plans (SCAPs) Guidance
<https://www.ogauthority.co.uk/news-publications/publications/2017/supply-chain-action-plans-guidance/>
- 13 Oil & Gas UK Guidelines on Decommissioning Cost Estimation
<https://oilandgasuk.co.uk/product/op061/>
- 14 Oil & Gas UK Guidelines on Well Abandonment Cost Estimation
<https://oilandgasuk.co.uk/product/guidelines-on-well-abandonment-cost-estimation-issue-2/>
- 15 OGA Stewardship Review Guidance
- 16 Guidance for Applications for Suspension of Inactive Wells
<https://www.ogauthority.co.uk/news-publications/publications/2018/guidance-for-applications-for-suspension-of-inactive-wells/>

Contact us at:

oga.correspondence@ogauthority.co.uk

OGA Headquarters

AB1 Building
48 Huntly Street
Aberdeen
AB10 1SH

OGA London Office

4th Floor
21 Bloomsbury Street
London
WC1B 3HF

 www.linkedin.com/company/oil-and-gas-authority

 twitter.com/ogauthority