



Oil & Gas
Authority

Response to the consultation on proposals to introduce new and amended OGA fees

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The consultation can be found on the OGA website: <https://www.ogauthority.co.uk/news-publications/consultations/2020/>

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General information

Purpose of this document

This document sets out the Oil & Gas Authority's (OGA) response to the consultation on its proposals to amend some of its existing fees and introduce new fees for some of its services.

This response issued: 21 August 2020

Territorial extent: United Kingdom and United Kingdom Continental Shelf

Additional copies:

Other versions of the document in Braille, large print, audio or Welsh can be made available on request. Please contact us using the 'enquiries' details to request alternative versions.

Quality assurance

This consultation has been carried out in principle with the [government's consultation principles](#).

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

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Introduction and Background

1. This document summarises feedback received during the OGA's consultation on proposals to amend existing fees and introduce new fees¹ for some of its services and sets out the OGA's response to the matters raised during the consultation.
2. The consultation was conducted between 28 October 2019 and 22 November 2019.
3. The consultation sought respondents' views on the OGA's proposals on existing OGA fees, potential fees for data services, and potential other future fees for additional or enhanced services in support of the OGA's obligations, and in line with 'user pays' principles.
4. The OGA received 11 responses to the consultation. These included six licensees, two industry bodies and three data management companies. The list of respondents can be found at Annex 1.
5. The OGA will request that BEIS introduces legislation for the new and amended fees set out in this response document. We expect that the new legislation will be introduced in 2021.

¹<https://www.ogauthority.co.uk/news-publications/consultations/2019/consultation-on-proposals-to-introduce-new-and-amended-oga-fees/>

Part 1 – Amendments to existing fees

Introduction and Background

The consultation document proposed making amendments to four existing fees. The proposed amendments were:

- Extending fees for flaring and venting consents to terminals
- Fees for abortive Field Development Plan (FDP) applications and interim fees
- Changing Pipeline Works Authorisation (PWA) fee from timesheet to fixed fee
- Inclusion of Offshore Safety Directive fees in licence fees

Extending fees for flaring and venting consents to terminals

Q1. Do you agree that the proposed fixed fee of c.£300 should be introduced for flaring and venting consents for terminals?

Summary of responses received

6. Most respondents were supportive, stating that such a fee seemed fair and appropriate.
7. Two respondents asked for transparency on the basis for the difference between the proposed rate for consents for terminal flaring and consents for offshore flaring.

OGA response to the views expressed

8. The OGA intends to introduce a fee of £300 for each application for consent, and to vary a consent, for flaring and venting from terminals.
9. The difference between the rate for consents for terminal flaring and venting and consents for offshore flaring is primarily due to offshore flaring and venting requiring more staff time on average, including consultation with technical teams.

Fees for abortive Field Development Plan (FDP) applications and interim fees

Q2. Do you agree that the OGA should be able to charge the proposed fees for withdrawn FDP and FDPA applications and also be able to charge interim fees?

Summary of responses received

10. Most responses were positive, but clarity on the cost of the fees was requested. It was also pointed out that some application withdrawals could be outside applicant's control and asked if the fee could be waived in those circumstances.
11. Concern was expressed that interim fees could deter submission of FDPs/FDPAs until ready and possibly reduce early engagement.

OGA response to the views expressed

12. The OGA intends to introduce a fee for applications for consent to development and production programmes that are withdrawn before being determined and will issue interim fees for consent to development and production programmes every six months. These will use the same rate as completed applications.
13. While the OGA considers that cases where withdrawals for reasons outside applicants' control will be rare, requests for waivers will be considered in line with Annex 4.1 of HM Treasury's 'Managing Public Money'².
14. While the OGA notes the concerns that interim fees could deter submission of applications, it does not believe that this would be a significant issue, as the fees are small compared with other costs of developing a field and do not increase the overall level of fees payable.

²<https://www.gov.uk/government/publications/managing-public-money>

Changing Pipeline Works Authorisation (PWA) fee from timesheet to fixed fee

Q3. Do you agree that there should be fixed fees for different categories of PWA applications?

Summary of responses received

15. Those who responded were supportive of fixed fees, provided they did not increase overall costs to industry and were not disproportionate.

OGA response to the views expressed

16. The OGA intends to introduce fixed fees for PWA applications, at the rates suggested in the consultation document.

Q4. Do you agree that a supplementary fee should be charged for particularly complex PWA applications? If so, how do you believe such cases could be identified and how should the fee should be determined?

Summary of responses received

17. The majority of those who responded were supportive of a supplementary fee for complex applications. It was pointed out that what constitutes a “complex” application should be clearly defined and identified at the start of the application process.

OGA response to the views expressed

18. When fixed fees for PWA applications are introduced, the OGA intends to inform the applicant on receipt of a PWA application if it meets the definition of ‘complex’. These applications will be charged on the existing timesheet basis.
19. The OGA intends to define complex applications as applications it considers are likely to require four or more staff days of work. The OGA will identify these on receipt of the application and state why it will take more than four staff days. It will also reserve the right to inform the applicant partway through the process if an application is

likely to take more than four staff days and that the application will be complex. In this case, the fixed fee previously paid will be set against the time-base fee.

Q5. Do you agree that an additional fee should be charged for fast tracking PWA applications? Do you agree it should be waived in ‘no-fault’ emergency?

Summary of responses received

20. Most respondents were supportive of a fee for fast tracking PWA applications, providing the fee reflected the effort needed. They generally supported the fast track fee being waived in ‘no-fault’ emergencies.

OGA response to the views expressed

21. When fixed fees for PWA applications are introduced, the OGA intends to introduce the option for applicants to request that their application is fast tracked. This option would be at discretion of the applicant, but once made the fast track request cannot be withdrawn. The fast track fee cost will be double the normal application fee. Waiving fees for “no fault” emergencies would be considered in line with Annex 4.1 of HM Treasury’s ‘Managing Public Money’.

Inclusion of Offshore Safety Directive fees in licence application fees

Q6. Do you agree that the OGA’s fee for Seaward Area Production Licence applications should include the costs of statutory consultees ensuring that the application meets the requirements of the Offshore Safety Directive?

Summary of responses received

22. The majority of respondents were supportive, noting the importance that the OGA and statutory consultees worked to a common timescale.

23. One respondent stated that including the costs in licence application fees would mean unsuccessful applicants would pay the additional amount without the OSDR³ being consulted.

OGA response to the views expressed

24. The OGA intends to increase the fee for all Seaward Area Production Licence applications by £175 to include the cost of the OSDR review.
25. The OSDR reviews all licence applications, whether or not they are successful.

Fee for well tests

26. The OGA currently charges a fee of £400 for consents for well tests (also known as drill stem tests). These tests involve extracting a small amount of petroleum from a well.
27. The OGA also charges a fee of £990 for consents for extended well tests.⁴
28. At present these fees come under the fee for “Consent to get petroleum from a licensed area”, in the current fees regulations (The Oil and Gas Authority (Fees) Regulations 2016 (as amended)).⁵
29. In order to clarify the applicable fees for these consents, the OGA proposes that the fee rates of £400 and £990 are stated for well tests and extended well tests respectively.

³The Offshore Safety Directive Regulator comprising the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) (part of the Department for Business, Energy and Industrial Strategy) and the Health and Safety Executive (HSE).

⁴See guidance on what constitutes an extended well test at https://www.ogauthority.co.uk/media/5476/oga_extended_well_test_guidance.pdf

⁵See <https://www.ogauthority.co.uk/regulatory-framework/legislative-context/charging-regime/>

Part 2 - Fees for data services

Introduction and Background

The consultation document also considered the following potential changes to fees for data services:

- National Data Repository (NDR) fee
- Fee for storage of samples and information in accordance with an Information and Samples Plan (ISP)
- Fee for storage of samples and information not required as part of an ISP

NDR fee

Q7. What is your view on the possibility of OGA charging for particular services provided to NDR/Digital Energy Platform users on a contractual basis, with at-cost charges?

Summary of responses received

30. Most respondents stated a preference to continue to fund the NDR through the levy, with fees charged at-cost for downloads or uploads on physical media.
31. Concern was expressed by some respondents that any requirement to enter into a contract with the OGA to meet regulatory obligations to report data would be irregular.
32. With regard to charging for downloads and uploads through a cloud-based server, the view of the majority of respondents was that charges for a large number of small uploads and downloads could create an administrative burden for both industry and the OGA and could be a disincentive for reporting anything more than the statutory minimum required. There were also concerns expressed about licensees being required to provide information but charged to use it.

33. Some responses suggested that costs should only be charged to non-levy payers.

OGA response to the views expressed

34. The OGA does not, at present, intend to introduce a fee for online downloads to and uploads from the NDR. The OGA may revisit this in the future.
35. The OGA intends to maintain at present the current charges for physical media downloads and uploads, although the rate and charging methodology may change in the future. As with the current provider, this will be paid on a contractual basis.
36. It should be noted that any contractual charge would allow the OGA to charge fees to licensees and non-licensees, as the OGA does not have the statutory power to charge such a fee to non-licensees.
37. With regard to the possibility of NDR fees being only charged to non-licensees, the OGA refers to the response to the 2017 NDR consultation,⁶ which stated that any such charges should not present a barrier to those with a genuine desire to add value to the UKCS. It also noted that levy payers will also benefit from access to “value-added” data provided by non-levy payers.

Storage of samples and information in accordance with Information & Samples Plan (ISP)

Q8. What is your view on the OGA charging a fixed fee for storage of information provided under an ISP? If you consider a fee is appropriate, should it be a fixed fee, with a variable element based on data volumes uploaded?

⁶<https://www.ogauthority.co.uk/news-publications/consultations/2018/oga-response-to-the-consultation-on-proposals-to-increase-the-oga-levy-to-fund-the-uk-oil-and-gas-national-data-repository-ndr/>

Summary of responses received

38. The majority of respondents stated that they did not support a fee for initial processing of data provided under an ISP. Several respondents contended that the data should have been provided under routine NDR reporting, with costs covered by the NDR portion of the levy.
39. It was also stated that a fee would reduce the information provided under an ISP to the minimum required.
40. Some respondents welcomed the possibility of using the NDR as a storage facility if costs were lower than their own data storage costs.
41. More respondents were supportive of a one-off fee to reflect the costs of preparing mineral samples for storage, based on the volume of the samples provided. One respondent stated that such a cost should be lower than the cost of environmentally compliant disposal.

OGA response to the views expressed

42. The OGA agrees that most information should be routinely reported via the NDR. However, some information, such as some seismic data or field models, may not be routinely reported and may be of significant size and complexity. Where an ISP proposes that information be held in the NDR, the OGA may agree to accept this information, if it considers this would be a valuable resource, which could be accessed by NDR users.
43. The OGA therefore only intends to charge for the costs of uploading such data if they are provided on physical media. It intends that this will be at the same rate as uploading data provided on physical media to the NDR and will be on a similar contractual basis. If the data is uploaded online, there would be no charge.
44. As with NDR uploads, the OGA may revisit fees associated with ISPs in the future.
45. With regard to sample storage, if the OGA considers that samples would add value to its sample collection, it intends to charge a fee for curation, data entry and initial storage by BGS, of

£15-20 per box on a contractual basis. If reboxing is required, the fee would be £25-30 per box. (Box size will be based on a 1000mm base size.) There would be no fee for ongoing storage. The OGA reserves the right to vary the rates it charges for curation, data entry and initial storage in the future.

Storage of samples and information not required as part of an ISP

Q9. What is your view on the OGA charging fixed fees for storage of information and samples not provided under an ISP in certain circumstances, as outlined in this document? If introduced, should such a fee be fixed, with a variable element based on data volumes uploaded?

Summary of responses received

46. As with an ISP, the majority of respondents stated that the data costs should be covered by the OGA levy.
47. Those who did support a fee stated that the fee should be lower than the storage or destruction for licensees and should be a one-off fee.
48. There was more support from respondents for a one-off fee for storage of samples as an alternative to destruction of samples.

OGA response to the views expressed

49. The OGA intends to take the same approach as for data provided under an ISP as outlined in paragraph 43, by only charging for such non-reportable information it considers may be a useful resource where it is uploaded to the NDR from physical media.
50. The OGA similarly intends to introduce a fee for sample curation, data entry and initial storage as set out in paragraph 45. This will be charged at the same rate as for samples provided under an ISP and will be a one-off cost.

Part 3 – Potential future fees for additional or enhanced OGA services

Q10. What is your view on the principle of the OGA introducing new fees to enable it to provide additional or enhanced services in the future?

Summary of responses received

51. The responses received represented a range of opinions. A number of respondents were supportive of the OGA introducing services with new fees on a “user pays” basis. However, many respondents stated that any new services funded by new fees should be optional and should not have a negative impact on the OGA’s core function. Concerns were expressed that new fees for core functions could create hurdles to further investment.
52. Some respondents also stated that fees should not lead to an overall increase in fees but should lead to a proportionate reduction in the OGA levy.
53. There was also a commonly expressed opinion that any new fee should be subject to further consultation with industry.

OGA response to the views expressed

54. The OGA notes the responses to this question and will bear this in mind when it considers any future fees.

Conclusion and next steps

55. Based on the responses provided, the OGA will recommend to BEIS that it introduces the following fees in secondary legislation:

- a fixed fee for each application for consent for flaring and venting from terminals
- a fee for withdrawn development and production (FDP and FDPA) consent applications
- interim fees for applications for development and production (FDP and FDPA) consents every six months
- fixed fees for PWA applications provided that:
 - complex PWA applications will attract a timesheet-based fee and
 - a supplementary fee will be payable to fast track a PWA application
- an increased fee for all Seaward Area Production Licence applications to include the cost of the Offshore Safety Directive consultation fee
- setting out the fee rates for well tests and extended well tests

56. Fees for storage of information and samples under ISPs and outside ISP will be handled under a contractual relationship. The intent is to introduce these contractual fees with the new fees in regulations.

Regulatory Impact Assessment

An assessment was made of the potential impacts on business from the implementation of the following proposed amended and new fees.

- i. Amended fees, include amendments to the following four fees:
 - a) Extending fees for flaring and venting consents to terminals
 - b) Fees for abortive Field Development Plan (FDP) applications and interim fees
 - c) Changing Pipeline Works Authorisation (PWA) fee from timesheet to fixed fee
 - d) Inclusion of Offshore Safety Directive fees in licence fees
- ii. New fees, include three fees for data:
 - a) NDR fee
 - b) Storage costs of information and samples provided under Information and Samples Plan (ISP)
 - c) Storage costs of information and samples not covered under ISP

It is intended that the proposed changes will lead to improvements in the cost reflectiveness of the cost recovery mechanisms operated by the OGA i.e. the fees regime and the OGA levy. The proposal to recover some existing services via fees rather than the levy is consistent with HM Treasury guidance, as those companies which receive the direct beneficial services from the OGA will incur the regulatory costs of those activities. As a not-for-profit company, any surplus operational costs from the levy collected from industry are refunded to levy payers and reported in the OGA Annual Report and Accounts.

Costs

The costs considered below are the estimated direct cost to industry to comply with the proposed fee scheme amendments and the introduction of new fees. The Net Present Value (NPV) of total direct costs to business is estimated at £0.2m over a period of 10 years (discounted at 3.5% at 2016 prices, 2017 base year). All assumptions are detailed further below.

Amended fees:

Extending fees for flaring and venting consents to terminals – This fee is proposed to be extended to the 14 onshore terminals, which currently do not pay a fee or contribute towards the levy for their consents for flaring and venting. The fee proposed to be charged by OGA for this service is a fixed at £300, calculated on the basis of internal rates of persons responsible for consents and the estimated time taken for this activity. Assuming that consents are given every 2 years, the total undiscounted costs to industry over 10 years has been estimated at approximately £0.02m.

Fees for abortive Field Development Plan (FDP) applications and interim fees – This fee is charged on a timesheet basis for FDP and FDPA applications that receive final approval from the OGA. It is being proposed to extend this fee to cover abortive FDP/A applications to recover costs incurred by the OGA and otherwise recovered via the levy. A yearly average of 4 aborted FDP applications has been assumed, based on past OGA records. The time taken for FDP approvals varies depending on the complexity of each case. OGA records of timesheets from the past show a range between 3 to 10 person days for FDP or FDPA approvals. For the purpose of this estimation, an approximate figure towards the lower end of the range (given abortive nature of the cases) of 5 person days per aborted application have been assumed, at a flat rate of £715 per person day. The total undiscounted incremental costs to industry over 10 years has been estimated at approximately £0.2m.

Changing Pipeline Works Authorisation (PWA) fee from timesheet to fixed fee – For the purposes of administrative simplicity, it is proposed that the fee will be changed from timesheet based to a fixed fee.

yearly average of 300 PWA authorisations have been assumed based on past OGA records. The new fees should reflect the same overall costs as the timesheet-based fee, although it will reflect the current staff time incurred on the PWAs.

Inclusion of Offshore Safety Directive fees in licence fees – This fee is proposed to include the costs of statutory consultees ensuring that the application meets the requirements of the Offshore Safety Directive in the OGA's fee for granting Seaward Area Production Licences. These costs are currently funded through the levy. This will add £175 to the fee. Approximately 100 Seaward Area Production Licences are granted each year. The total undiscounted incremental costs to industry over 10 years has been estimated at approximately £0.2m.

New Fees:

NDR fee – The fees for NDR services are dependent on the volume of data and the delivery method/media such as tapes or disks. The OGA's current NDR service provider, CDA, charges for services that it provides and that are not covered by the OGA levy. These fees are agreed with the OGA on a cost recovery basis and cover the costs of large data downloads on to physical media or, in specific cases, for the upload of reportable information from relevant persons, which due its high volume and relative complexity, cannot be uploaded by end users through the NDR website interface. If the OGA takes over providing the service directly, it would seek to continue these at-cost charges.

As the NDR was launched in February 2019, there is no established trend for the number and volume of data uploads or downloads on a yearly basis. If a charge was introduced for uploads and downloads from a cloud-based NDR/Digital Energy Platform, the overall costs are likely to be lower for downloads, in comparison to existing charges for equivalent data that can be ordered for delivery on media.

Storage costs of information and samples provided under information and samples plan (ISP) – These costs are currently covered under the NDR element of the Levy and will not impose any additional cost to the industry. In the case where a fee is charged, it will be offset by removal of similar cost from the Levy on an aggregated basis.

Storage costs of information and samples not covered under ISP – These costs are currently covered under the NDR element of the Levy and will not impose any additional cost to the industry. In the case where a fee is charged, it will be offset by removal of a similar cost from the Levy on an aggregated basis.

The OGA has a general duty under the Equality Act 2010 in carrying out its functions to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation;
- advance equality of opportunity between different groups; and,
- foster good relations between different groups.

Further details can be found at <https://www.equalityhumanrights.com/en/equality-act/equality-act-2010>

Annex 1: list of organisations responding to the consultation

CGG Smart Data Solutions

OGUK

Oil and Gas Independents' Association

Osokey Ltd

Premier Oil plc

Repsol Sinopec Resources UK Limited

Shell U.K. Limited

Summit Exploration and Production Limited

Target Energy Solutions Ltd

Two other oil & gas companies

