



North Sea  
Transition  
Authority

# Cost-Effective Decommissioning

Stewardship Expectation 10

February 2024

## 1. Expectation

**The NSTA expects that operators are able to demonstrate a robust approach to cost-effective decommissioning and achieve optimum potential for the reuse or repurposing of infrastructure taking into account the duty of the oil and gas industry to assist the Secretary of State in meeting the net zero target.**

## 2. Reason for the Expectation

- 2.1 To support the strategic objectives and priorities of the NSTA Decommissioning Strategy<sup>1</sup>, namely:
- **Planning for decommissioning:** driving cost efficiency through effective late-life stewardship, creating a platform for timely delivery.
  - **Commercial transformation:** improving market efficiency, establishing a competitive and sustainable market.
  - **Supporting the energy transition from late life into decommissioning:** reducing greenhouse gas (GHG) emissions from decommissioning and capitalising on opportunities to reuse or repurpose infrastructure.
  - **Technology, processes and guidance:** the development and deployment of technology, appropriate regulatory processes and clear guidance underpin delivery of the OGA Strategy<sup>2</sup>.
- 2.2 To promote the best practice and behaviours required to drive decommissioning cost efficiency through optimising decommissioning performance and supporting continuous improvement.
- 2.3 To ensure viable opportunities for the repurposing of offshore infrastructure are suitably explored to realise their optimal potential in support of the energy transition.
- 2.4 This Expectation supports the OGA Strategy<sup>2</sup>, in particular the Central Obligation (paragraph 2) and paragraphs 9, 15, 16, 17, 22 and 25.

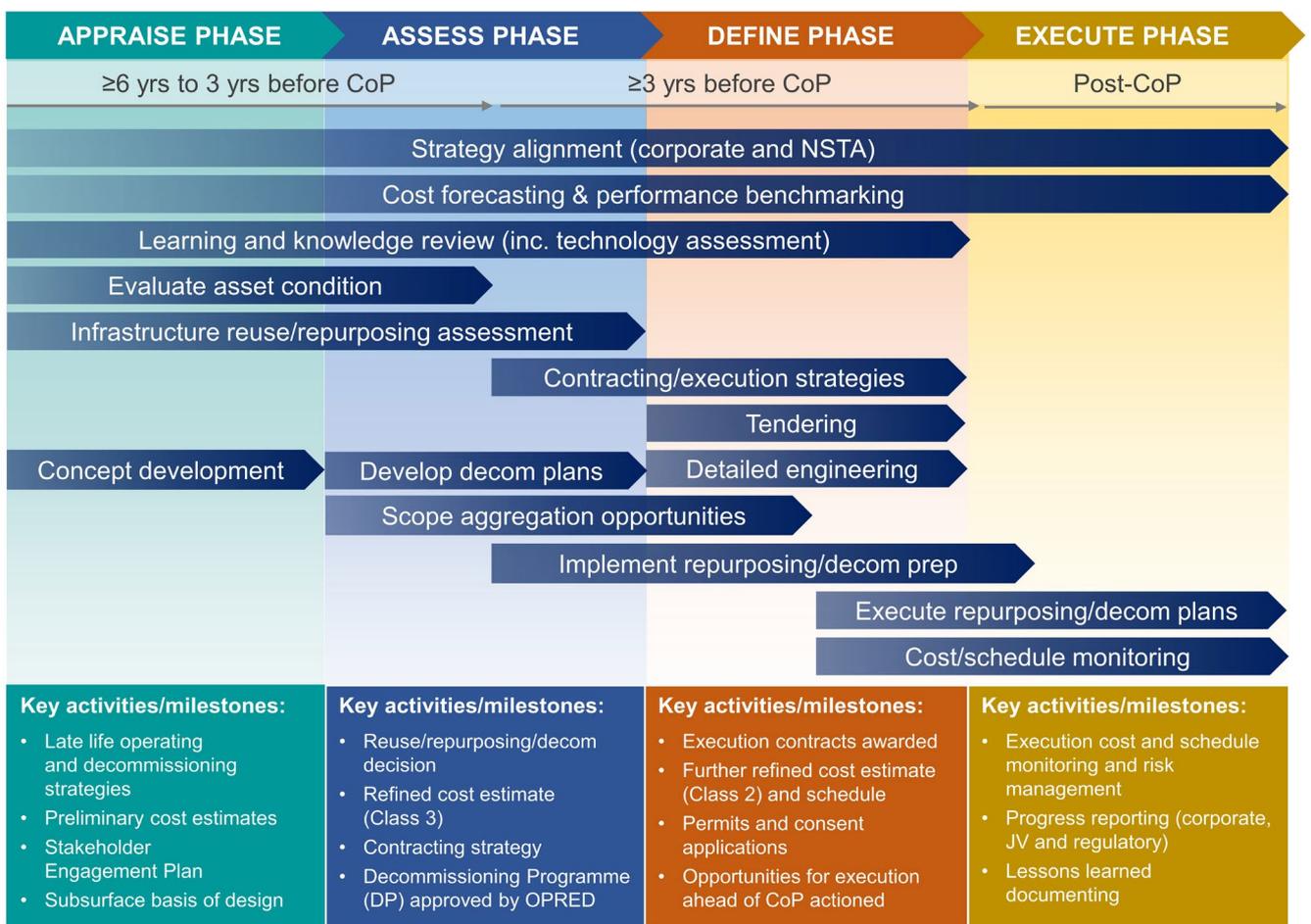
## 3. Delivering the Expectation

### A: Planning for decommissioning

- A.1 The NSTA expects operators to have a clear strategy and plan which promotes effective decommissioning performance and cost-efficient delivery. The strategy and associated plan should be appropriately resourced and funded to ensure that decommissioning can progress in a timely manner and that cost increases due to unnecessary delays are avoided.
- A.2 The strategy and plan must comply with decommissioning and reuse/repurposing regulatory requirements<sup>3</sup> and take into consideration the impact of the activities on third parties e.g. shared infrastructure affected by field decommissioning or the steps which must be taken to support wider area-based carbon storage initiatives (which the NSTA can provide information/advise on).

- A.3 Corporate decommissioning strategies should be fit-for-purpose, aligned with asset joint venture agreements/plans and incorporate a culture of continuous improvement. The corporate strategic drivers, planning assumptions and basis of cost and schedule estimation should be clearly defined.
- A.4 Planning for decommissioning should be built into late-life asset management in such a manner that decisions made prior to permanent cessation of production (CoP) will not have a detrimental impact on the operator’s ability to decommission cost efficiently.

**Figure 1 – Decommissioning Glidepath**



A.5 The NSTA’s Decommissioning Glidepath (Figure 1) can be used to support the framing and planning of cost-effective decommissioning. This is structured to align with typical project phases and the standard nomenclature utilised within the NSTA for such activities. While the terminology may vary across operators, the NSTA expects that each organisation implements an appropriate governance and delivery model which aligns with the following high-level ambition:

- **Late life planning (NSTA ‘appraise’ phase):** 4-6 years ahead of field CoP, operators should begin planning for the post-hydrocarbon life of the infrastructure. The NSTA will consider a field to start on the Decommissioning Glidepath based on the CoP date provided in the most recent UKCS Stewardship Survey data. The key activities/milestones associated with this phase are:

- Decommissioning strategy developed and agreed both corporately and with joint venture partners and shared with the NSTA.
  - Infrastructure screened for reuse/repurposing opportunities.
  - Reuse/repurposing/decommissioning concepts defined and evaluated, including the development or corresponding cost estimates (Association for the Advancement of Cost Engineering (AACE) Cost Estimate Class 4).
  - Stakeholder Engagement Plan developed and shared with relevant parties including initial discussions with regulatory authorities to understand the required approvals, deliverables/application submissions and approval timescales.
  - Engagement between the NSTA and the operator in relation to their respective obligations under section 29 (2A) and (2B) of the Petroleum Act 1998 (see also section A.6 of this document).
- **Early decommissioning planning (NSTA ‘assess’ phase):** The NSTA expects that two years prior to CoP, the operator should be in the position to confirm whether the infrastructure will be reused/repurposed or decommissioned and have the necessary regulatory approvals in place to support this. The key activities/milestones associated with this phase are:
    - Reuse/repurposing/decommissioning decision made.
    - Decommissioning Programme reviewed by NSTA and approved by Offshore Petroleum Regulator for Environment and Decommissioning (OPRED).
    - Decommissioning plans defined and costed to AACE Cost Estimate Class 3 maturity.
    - Contracting strategy developed and agreed with joint venture partners.
  - **Late decommissioning planning (NSTA ‘define’ phase):** Final reuse/repurposing/decommissioning preparations should be undertaken in the two years prior to field CoP. This will involve:
    - The award of execution contracts.
    - Development of a refined cost estimate (Class 2) and execution schedule.
    - Applications for the necessary permits and authorisations submitted.
    - Execution preparations complete.
    - Opportunities for early (pre-CoP) execution of specific activities/scopes actioned e.g. beginning platform well decommissioning ahead of CoP.
  - **Execution (NSTA ‘execute’ phase):** Reuse/repurposing/decommissioning proceeds as per the development plans and associated regulatory approvals. The NSTA expects that operators will:
    - Monitor and report progress both internally, at a JV level and with external stakeholders as required.
    - Effectively manage any execution cost/schedule risks, particularly when there is a potential impact to a regulatory approval.
    - Document lessons learned and share openly both internally and at an industry wide level where appropriate.

- A.6 The NSTA will engage with operators during asset late life in line with its Asset Stewardship Strategy<sup>4</sup>. The purpose of these engagements will be to ensure that operators are meeting their obligations regarding cost efficient and net zero compatible decommissioning as outlined in the OGA Strategy<sup>2</sup> and that their planning will contribute to effective decommissioning performance. The level of NSTA engagement will be proportionate based on factors such as the materiality of decommissioning spend, the position of fields relative to the Decommissioning Glidepath (Figure 1) and the decommissioning track record of the operator. Engagement will also include, when appropriate, the consultation to be undertaken under section 29 (2A) and (2B) of the Petroleum Act 1998. The NSTA will normally inform the operator by email when it considers the engagement has reached this more formal stage, and expects the operator to acknowledge this.
- A.7 The development of decommissioning plans and the associated contracting and execution strategies should align with industry best practice, whilst assessing the potential benefits of new and emerging technologies and supporting their development and deployment where appropriate. Novel or bespoke approaches which have the potential to contribute to cost efficiencies and/or improved performance should be encouraged and may merit earlier and more frequent engagement with relevant regulatory bodies such as the the Health and Safety Executive.
- A.8 It is the responsibility of the operator to demonstrate optimal decommissioning performance and compliance with NSTA expectations and guidance relating to decommissioning cost and timing<sup>5</sup>. Early and robust planning should mean that two years ahead of field CoP, the operator is in the position to confirm:
- Whether each piece of infrastructure shall be reused, repurposed or decommissioned (see Section C.2).
  - How each piece of infrastructure or well in the field should be decommissioned taking into account any carbon storage or repurposing considerations.
  - That the decommissioning plans are supported by appropriate levels of engineering.
  - That any bespoke tooling/long lead items which will be required to complete decommissioning have been identified.
  - That appropriate contracting strategies are in place and the necessary resources and funding have been secured.
  - Any significant schedule or execution risks which could impact the stability of the plan have been identified and are being mitigated as far as reasonably practicable.
- A.9 Operators should provide regular updates to the NSTA on decommissioning plan progress both during the development of the plan – consistent with the statutory obligation to consult with the NSTA prior to submitting a Decommissioning Programme to OPRED for approval – and its execution.

- A.10 The NSTA will work with industry to instil and maintain a culture of decommissioning performance improvement at the basin wide, operator and single asset levels. Tools such as dashboards, benchmarks and key performance indicators will be used to compare performance across organisations and communicate progress towards any industry decommissioning cost targets.

## **B: Commercial transformation**

- B.1 Decommissioning of offshore oil and gas infrastructure is a regulatory requirement that will see £21 billion of investment in the UK over the next decade (2023-2032)<sup>6</sup>. The UKCS has entered the ‘Decade of Decommissioning’ where approximately 200 wells are planned to be decommissioned each year. When demand is high, resources may be constrained, particularly when the appeal of higher margin work in other industries/regions encourages resources to leave the basin.
- B.2 It is essential that the UKCS is seen to have a stable and predictable regulatory regime and licensees and operators will be held to account to deliver upon their commitments. Operators are therefore expected to place contracts and undertake decommissioning in line with their committed plans. This may mean that timing and cost efficiency drivers need to be balanced to ensure the overall optimal outcome for the basin is achieved.
- B.3 The NSTA expects operators to work with other parties including other operators, the supply chain, industry bodies/associations and workgroups and the regulatory community during decommissioning planning, contracting and execution, with the aim of creating a more collaborative culture.
- B.4 In an environment where equipment and resource constraints are not uncommon, decommissioning campaigning and cross-operator/supply chain collaboration present key opportunities to secure essential services, unlock cost efficiencies and performance benefits attainable through increased economies of scale and will provide a stable and secure programme of work for the supply chain.
- B.5 Data visibility and raising awareness of upcoming decommissioning projects are key enablers to developing and maintaining a sustainable and attractive market. The NSTA expects operators to aid decommissioning market transparency by communicating scopes and timings to the supply chain using systems such as Energy Pathfinder<sup>7</sup> and the NSTA’s Data Visibility Dashboards<sup>8</sup>, and ensuring the schedules they provide for these and UKSS data requests are accurate and of a suitable level of detail.
- B.6 The NSTA will encourage industry to ensure that operators engage appropriately and effectively with the supply chain in line with the commitments outlined in the North Sea Transition Deal<sup>9</sup> and derive maximum value from project activities through the use of Supply Chain Action Plans (SCAPs)<sup>10</sup>.

## C: Supporting the energy transition from late life into decommissioning

- C.1 Decommissioning should be planned and executed in a manner which reduces GHG emissions and does not prejudice reuse or repurposing opportunities.
- C.2 At least six years prior to the expected permanent cessation of use of significant items of offshore infrastructure, operators should assess opportunities for their repurposing. Particular consideration should be given to whether the repurposing of the infrastructure would offer significant benefits to projects that could assist in meeting the net zero target, including carbon transportation and storage, hydrogen transportation and storage, renewables, and reuse for oil and gas extraction.
- C.3 The NSTA expects operators to prioritise maturation of repurposing opportunities which could have a tangible benefit to energy transition projects (such as financial or schedule benefits).
- C.4 As set out in the OGA Strategy<sup>2</sup>, operators and infrastructure owners are obligated to consider reuse and repurposing ahead of decommissioning and take appropriate steps to assist the Secretary of State in meeting the net zero target. If at the time of reuse/repurposing/decommissioning planning and preparation, a potential new infrastructure user is identified (whether the operator/licensee themselves or a third party), the operator is expected to collaborate and co-operate with the new user to ensure optimal future use of the infrastructure is achieved.
- C.5 If a new user has not yet been identified, the operator is expected to work with the NSTA and other relevant agencies to ensure that pertinent infrastructure data is made available to potentially interested parties and that the infrastructure is decommissioned in such a way that future high consequence reuse/repurposing opportunities may be preserved.
- C.6 The NSTA expects operators to have undertaken an appropriate reuse/repurposing screening so that the decision to either decommissioning or preserve the infrastructure can be based on a reasoned and logical basis and made no later than two years prior to CoP (see Section A.8). This is to allow decommissioning or preservation to occur in a timely manner post-CoP and therefore limit the impact on decommissioning performance and cost efficiency.
- C.7 Stewardship Expectation 11<sup>11</sup> sets out the NSTA expectation that industry reduces, as far as reasonably possible in the circumstances, GHG emissions, including from the abandonment and decommissioning of fields.
- C.8 The NSTA expects operators to consider emissions reduction measures as part of their decommissioning strategy. Effective use of equipment and resources is key in addition to promoting a circular economy and optimising infrastructure reuse/repurposing.
- C.9 Execution strategies such as decommissioning at scale/campaigning and commencing platform well decommissioning ahead of field CoP to minimise platform warm stack durations could have inherent GHG reduction and cost optimisation benefits. Operators are expected to consider all such opportunities as part of the development of their decommissioning plans and subsequent contracting and execution strategies.

## 4. Demonstrating delivery

The NSTA 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 NSTA of the extent to which a licensee or operator may be delivering this Expectation. These include, for example:

- **Annual Stewardship Survey**

The NSTA's Annual UKSS collects a range of data from licensees and operators for each production licence in the UKCS. The NSTA may request additional information or reports. The NSTA generally uses its powers under section 34 of the Energy Act 2016<sup>12</sup> to obtain such survey data and additional information. The NSTA reserves the right to request additional documentation to supplement/support assurance of delivery in line with the Expectations.

- **Performance benchmarking/key performance indicators**

The NSTA may produce benchmarking data on a variety of metrics derived from the UKSS 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**

The NSTA will request an operator's participation in tier reviews in accordance with the NSTA Stewardship Review Guidance<sup>13</sup>. The NSTA 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 UKSS, benchmarking and delivery against this Expectation and any agreed decommissioning plans.

## 5. References

- 1 *NSTA Decommissioning Strategy*
- 2 *The OGA Strategy*
- 3 *DESNZ Guidance Notes*  
– *Decommissioning of Offshore Oil & Gas Installations and Pipelines*
- 4 *NSTA Asset Stewardship Strategy*
- 5 *NSTA Well Consents Guidance*
- 6 *UKCS Decommissioning Cost and Performance Report 2023*
- 7 *Energy Pathfinder*
- 8 *NSTA Decommissioning Data Visibility Dashboard*
- 9 *North Sea Transition Deal*
- 10 *NSTA Supply Chain Action Plan Guidance*
- 11 *NSTA Net Zero Stewardship Expectation*
- 12 *Energy Act 2016*
- 13 *NSTA Stewardship Review Guidance*

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Our registered office is at Sanctuary Buildings, 20 Great Smith Street, London, SW1P 2BT.

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