The leading representative body for the UK offshore oil & gas industry

- Raise profile
- Promote dialogue
- Deliver industry initiatives
- Engage with governments and other stakeholders
Decommissioning
How much and how funded

- Decommissioning overview
- Funding Decommissioning

Over the next decade across the UK and Norway

- More than 100 platforms are forecast for complete or partial removal
- Close to 7,500 kilometres of pipeline are lined up for decommissioning
- >1,800 wells are to be plugged and abandoned
The decommissioning process

- Project management and facility running costs (31%)
- Well plugging and abandonment (32%)
- Preparation and making safe, topsides and subsea (8%)
- Site Remediation and Monitoring (<1%)
- Onshore Recycling (2%)
- Removal topsides, substructure and subsea (27%)

Percentage expenditure based on platform figures CNS / NNS / WoS
Oil & Gas UK Decommissioning insight 2016
Long-term decommissioning costs currently estimated at ~£ 60 billion* over ~30 years

* £59.7 billion (on a p50 basis, 2016 money) source OGA

Source: OGA Stewardship data 2016

£39 bln Cost Target

35%
How is decommissioning on UKCS funded

- Licensee pays for decommissioning
- No dedicated fund, companies make individual provisions
- Costs are allowable against previous taxable profits
- Tax relief will average at circa 45 percent of costs
- Liability remains with Licensee
Back-up material
Targeting decommissioning cost reductions of 35% or better - Industry working closely with Oil & Gas Authority and HM Treasury

**Cost certainty and reduction**
- Benchmarking
- Metrics identifying high cost elements
- Standardisation of methods
- Sharing good practice

**Delivery Capability**
- Learning from other industries
- Innovative approach to contracting & commercial strategies
- Changing behaviours

**Regulatory Guidance**
- Improve awareness
- Communicate requirements
- Develop tools e.g. Decom Practice

**Well Abandonment**
- Campaign approach to well P&A
- E&A suspended well stewardship
- Pilot and upscale

**Potential savings (not additive)**
- 10%-15%
- 35%-45%
- 15%-20%
- 25%-35%
Industry is making significant progress on cost reduction

**Brent**
- Estimated cost **decreased over £1bn** over past 2 years
- **Work with supply chain**: cost reduction in topsides and substructure removal
- **Reduced well P&A costs**: execution & contracting strategy, efficiency improvements
- **Learning transferable**: Shell willing to share

**CNR International**
- **2 years ahead of schedule**, estimated final cost **88% of sanction cost**
- Lessons learned to help **half cost** of future projects
- **Early engagement** with contractors, flexibility of schedule
- **Sharing/engagement** with regulators, peers and industry

**Murchison**
- **Internal well P&A campaigns delivering 50% cost reductions**
- **Optimisation of schedule** and market flexibility
- **Multi-operator well P&A** to further reduce costs and share experiences
- **Engaging with SNS peers/industry**
Scope of regulatory oversight

Offshore Petroleum Regulator for Environment and Decommissioning (OPRED)

- Approve and Regulate Decommissioning Programmes for all UKCS oil and gas installations and pipelines
- Maintain decommissioning policy and guidance
- Protect the government and taxpayer against risk of companies defaulting
- Use of S29 powers throughout the life-cycle of a field

Oil & Gas Authority – OGA

- Ensure decommissioning costs are assessed & minimised
- Engage the Supply Chain
- Deliver MER UK
  - Achieve the maximum economic extension of field life
  - Maintain and develop guidance on the late-life management process
OSPAR Convention

• Convention – reviewed every 5 years - next in 2018
• Decision 98/3 Feb’99
  – Banned disposal installations at sea
  – Topsides returned to shore
  – Reviewed every five years.
  – Derogations above 10,000
  – Clear above 55 metres
Residual liability – 1998 Petroleum Act

- Residual liability rests with licence holders at decommissioning (Section 29 holders) who submitted the decommissioning programme – JOA partners carry joint and several liability
- In the event of default, previous Section 29 holders can be held liable under Section 34 of the Petroleum Act – joint and several
- Any conditions imposed at approval of a decommissioning programme also lie with Section 29 holders (or previous Section 29 holders in the event of default)
- BEIS (DECC) Guidance Notes:
  - Future maintenance or remedial action may require revision of the decommissioning programme.
  - Remedial action may be considered as a result of advancement of technology and may require comparative assessment