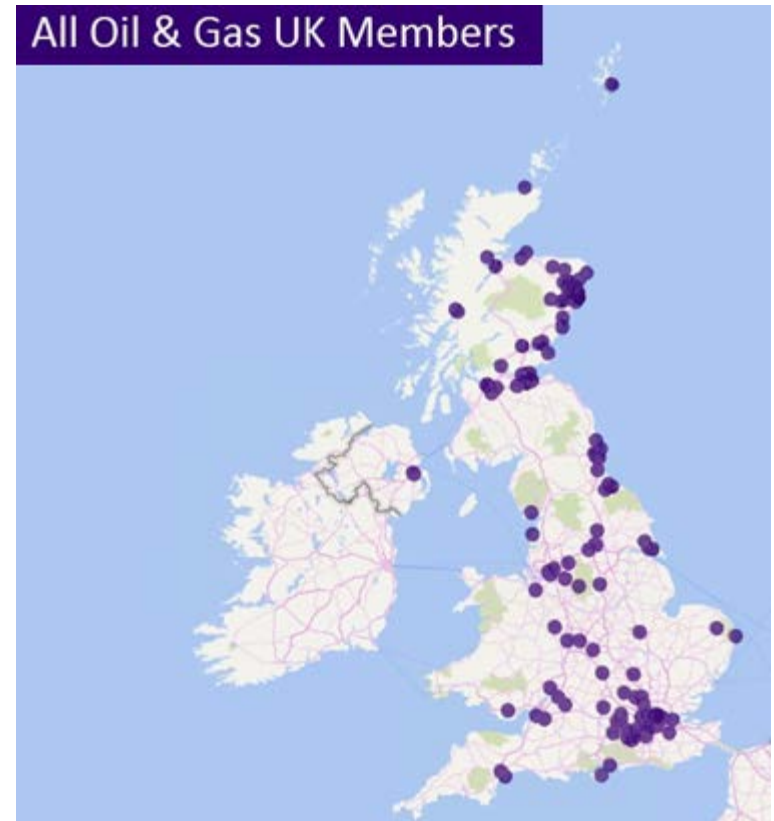


SUT/MASTS Workshop, 5 September 2017

Michael Tholen – Upstream Policy Director - Oil & Gas UK

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



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



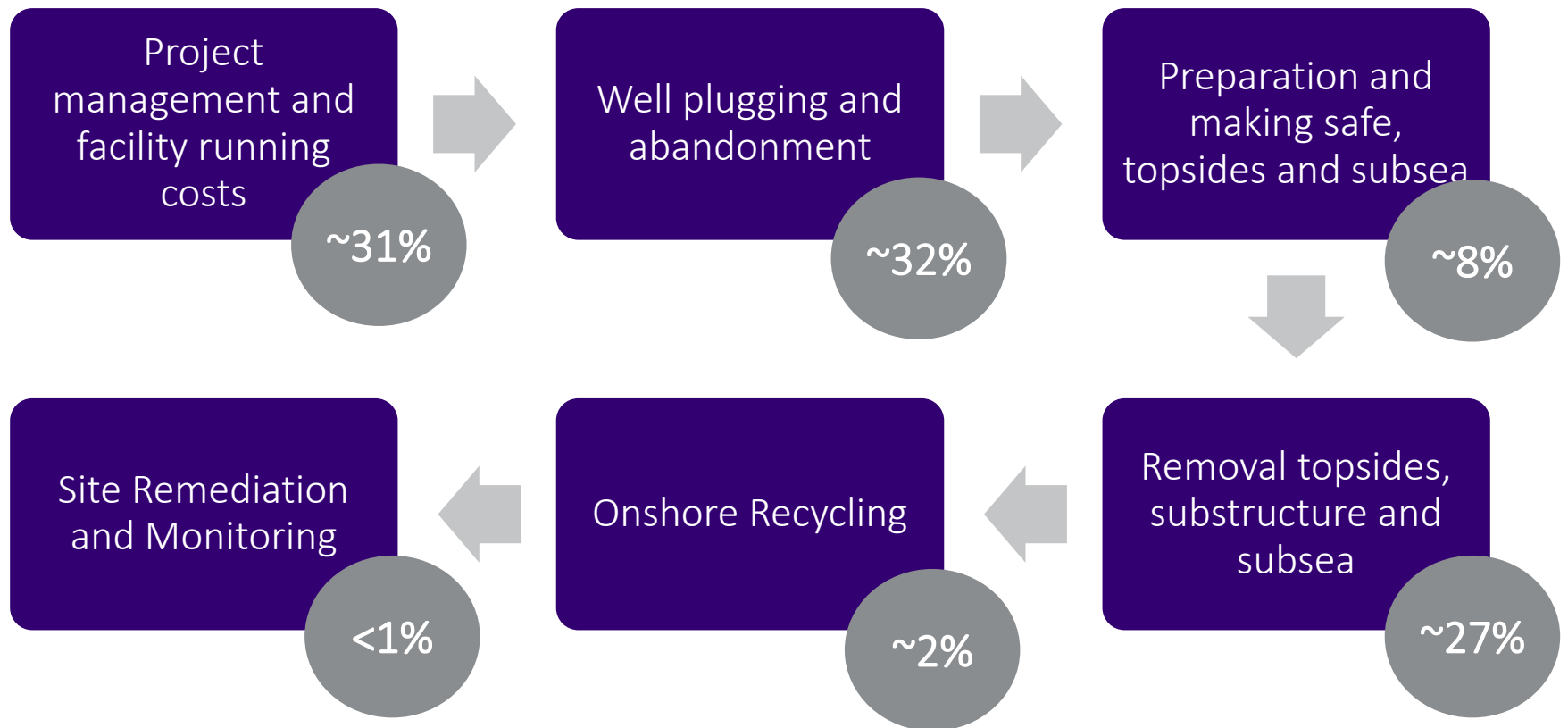
>1,800 wells


are to be plugged and abandoned

Close to 7,500 kilometres of pipeline are lined up for decommissioning

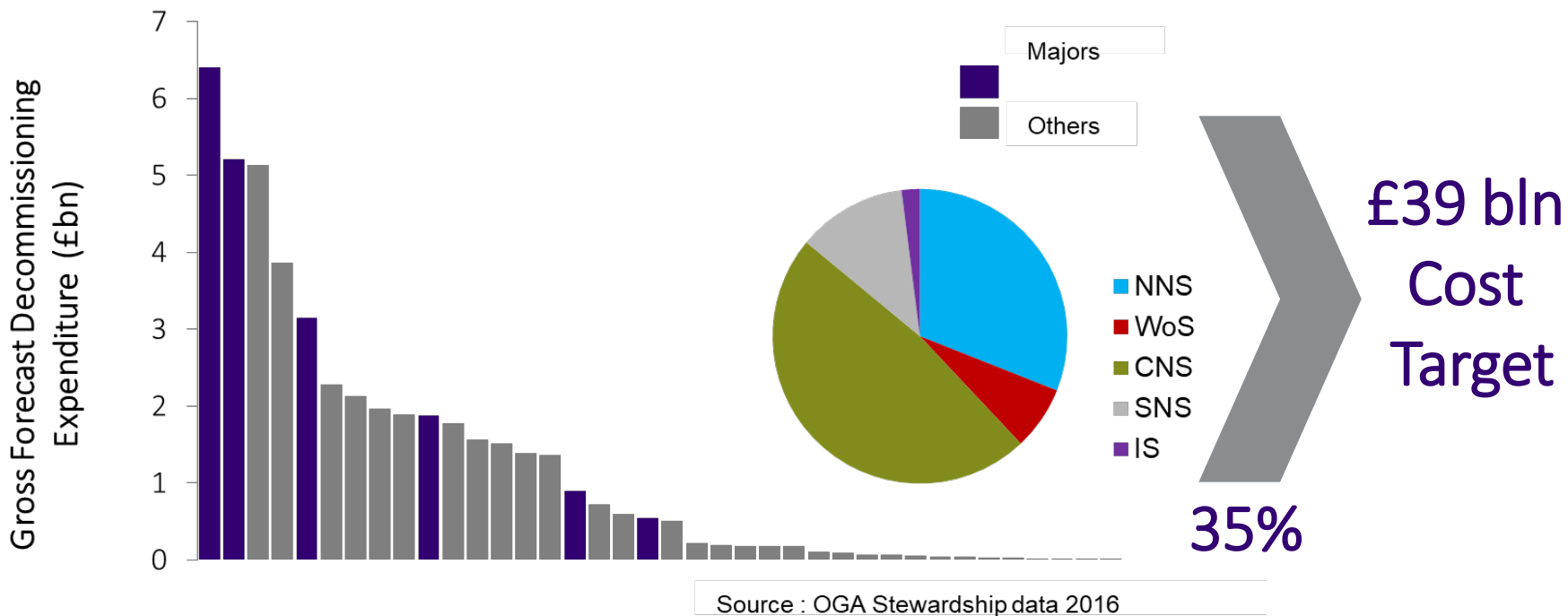


The decommissioning process



 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

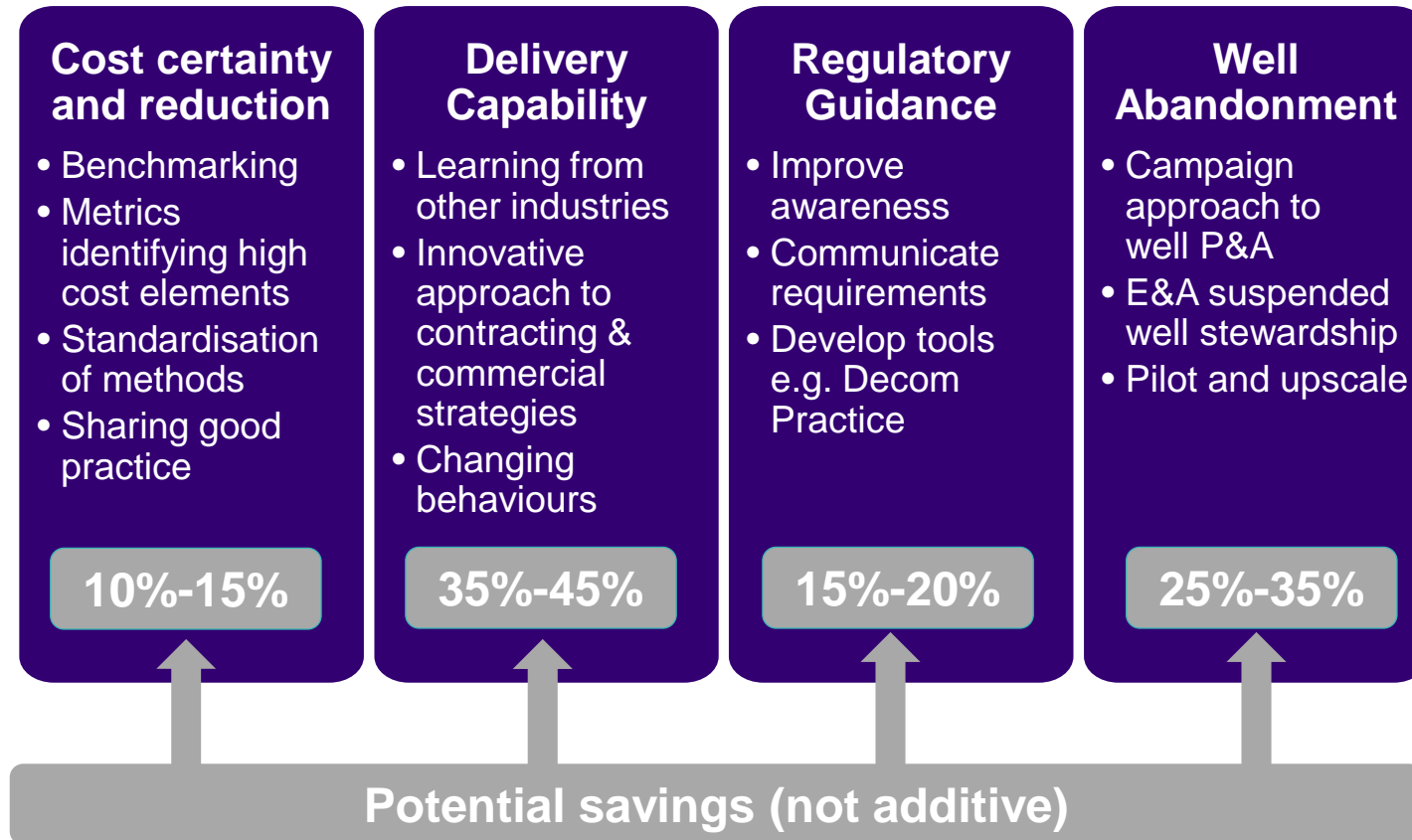
How is decommissioning on UKCS funded

- 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

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Back-up material

Targeting decommissioning cost reductions of 35% or better - Industry working closely with Oil & Gas Authority and HM Treasury



Industry is making significant progress on cost reduction



Oil & Gas Authority



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

Murchison



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

ConocoPhillips

SNS



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

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