

Review of UK Offshore Oil and Gas Recovery

Terms of Reference

The Government believes the time is right to take a fresh look at the current arrangements for maximising economic recovery of the UK's offshore oil and gas resources. The Secretary of State for Energy and Climate Change, Rt Hon Edward Davey MP has therefore invited Sir Ian Wood, recently-retired chairman of Wood Group to lead a Review.

Sir Ian's Review will examine key factors which affect UKCS performance and will develop recommendations designed to enhance economic recovery of oil and gas reserves in the future. The review will recognise the unique partnership that is required between operators and Government to exploit the vital resource remaining in the mature UKCS and, taking account of the strategic challenges and opportunities that lie ahead, will examine:

- whether the incentives on operators to invest or divest are sufficiently strong to drive optimum investment and maximise economic recovery of current and future developments. This will include looking at the role and effectiveness of Petroleum Exploration and Development Licensing and associated regulatory and stewardship activity by Government as well as the investment hurdles, decision-making structures and resources available within and between licence holders;
- how the valuable work in the PILOT¹ sub groups looking at production efficiency/Improved Oil Recovery, Enhanced Oil Recovery, exploration, access to infrastructure and technology, can best be driven through to early implementation. This will include looking at how to maximise investment in improving reservoir recovery rates across the basin;
- how to build on the partnership between operators and Government as well as significantly enhance inter operator collaboration across the basin to maximise economic recovery;
- the resources available to Government to carry out its oil and gas resource and industry stewardship role effectively. In particular, the extent to which Government has the technical and commercial resources and capabilities, and how best these should be organised, to play a proactive and strategic role in partnership with industry to maximise economic recovery of oil and gas.

While the Review will not make recommendations on taxation, its conclusions may nevertheless be drawn upon in future tax policy considerations by HM Treasury.

¹ PILOT (formerly the Oil and Gas Taskforce) facilitates the partnership between the UK oil and gas industry, and government. PILOT cooperates to deliver quicker, smarter and sustainable energy solutions to secure the long-term future of the UK Continental Shelf (UKCS) and ensure full economic recovery of our hydrocarbon resources. Recently PILOT has been examining: Enhanced Oil Recovery; Access to Infrastructure; Improves Oil Recovery, Exploration. It has recently also begun to look at production efficiency.

The Review will take account of the work of PILOT and the Oil and Gas Council and will draw upon expertise across Government, the oil and gas industry and elsewhere.

The aim of the Review will be to set the course for a prosperous and successful UKCS for the next decade and beyond, delivering growth, jobs and revenue to the UK economy and profitable opportunities for good operators.

Interim conclusions will be published in the autumn and the final report and recommendations will be presented to the Secretary of State and published around the end of the year.