



Department  
of Energy &  
Climate Change

# The Oil and Gas activities of the Energy Development Unit



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# An Introduction to the Oil and Gas activities of the Energy Development Unit (EDU)

One of DECC's key goals in support of the Government's growth agenda is to maximise the value of our indigenous oil and gas reserves on our way to a low-carbon future.

DECC's Energy Development Unit (EDU) is responsible for managing the UK's onshore and offshore oil and gas reserves. We do this through licensing acreage to operators, encouraging exploration and sanctioning development plans for exploiting reserves. We are also responsible, through a separate team, for the environmental regulation of offshore oil and gas activity on the UKCS, where we work closely with the HSE and the Maritime and Coastguard Agency to ensure safe and clean operations in the seas around our shores. We oversee the decommissioning of offshore installations and pipelines and ensure that operators have in place the necessary financial security. We regulate offshore gas unloading and storage and offshore carbon dioxide storage activities in support of Carbon Capture and Storage. Finally and crucially, we ensure that our oil and gas reserves maximise UK growth by providing support for the UK's oil and gas supply chain through the PILOT forum. The Office of Unconventional Gas and Oil, recently established within EDU is working across Government to create the right conditions for operators to be able to explore the UK's unconventional landward resources of gas and oil.

This booklet provides a brief overview of all of our activities in these areas. Besides this work, EDU is also responsible for managing planning decisions for major electricity and gas infrastructure projects, advising on planning policy, the management of the health, pension and other liabilities of the former nationalised coal industry and oversight of the Coal Authority.

Our aim is to maximise the economic production of the UK's offshore oil and gas resources taking full account of environmental, social and economic objectives. We promote the oil and gas industry throughout the entire life cycle of projects ensuring the best value to UK plc including the continued development of an efficient UK based supply chain through the Supply Chain Code of Practice.

While we recognise that the UKCS is maturing the North Sea still offers significant investment and growth opportunities. Success will, however require innovative thinking and technology. It is important to have the right business climate and regulation in place to achieve our goal of maximising economic recovery and this is why the Secretary of State, Rt Hon Edward Davey MP announced a comprehensive review of UK offshore Oil and Gas production and appointed Sir Ian Wood to lead this work. Sir Ian's report is expected early in 2014.

**Stephen Speed**

Head of Energy Development Unit

# Offshore Oil and Gas Environment and Decommissioning Unit (OGED)

OGED is responsible for offshore environmental policy issues relating to offshore oil and gas exploration and production, offshore gas unloading and storage and offshore carbon dioxide storage activities. This involves:-

- Strategic environmental assessment of UK continental shelf prior to licensing;
- Environmental regulation, including environmental assessments, approvals and enforcement;
- Environmental emergency response plan approvals;
- Oil spill surveillance and pollution prevention;
- Legal obligations and financial security for decommissioning of offshore installations and pipelines; and
- Approval and monitoring of decommissioning programmes.



## Consideration of the Environment

The Offshore Environment Unit consists of three teams, the Environmental Policy Team, the Environmental Management Team, and the Offshore Environmental Inspectorate Team. The Unit is responsible for regulating the economic exploitation of offshore energy resources to take full account of environmental and social objectives by:

- Consulting with international bodies (e.g. the EU and OSPAR), other Government Departments (e.g. Defra and the devolved administrations) and stakeholders on the development of policy and regulatory initiatives;
- Implementing domestic legislation, international agreements and agreed codes of practice to ensure that offshore oil and gas, gas storage and future CCS projects do not have a significant adverse impact on the environment or other users of the sea;
- Maintaining an appropriate and up-to-date understanding of the impact of offshore oil and gas, gas storage and CCS developments, and ensuring that this is reflected in the impact assessment process and environmental monitoring programmes;
- Inspecting offshore installations to ensure regulatory compliance;
- Providing a response to offshore environmental incidents; and
- Investigating and enforcing where there is evidence of regulatory non-compliance in line with the Department's Enforcement Policy.



[www.gov.uk/government/policies/providing-regulation-and-licensing-of-energy-industries-and-infrastructure/supporting-pages/environmental-regulation-of-offshore-oil-gas-and-carbon-dioxide-storage-activities](http://www.gov.uk/government/policies/providing-regulation-and-licensing-of-energy-industries-and-infrastructure/supporting-pages/environmental-regulation-of-offshore-oil-gas-and-carbon-dioxide-storage-activities)

## Decommissioning

The Offshore Decommissioning Unit (ODU) ensures that UKCS oil and gas decommissioning is effective and responsible, taking full account of safety, environmental, economic and societal impacts and international requirements. ODU does this by:

- Ensuring that decommissioning liabilities are placed on the right companies;
- Monitoring and assessing companies' ability to meet their decommissioning financial obligations. Where appropriate, covering the risk of default by, seeking financial security from operators to protect the Government and taxpayer from having to cover decommissioning obligations;
- Examining and consulting on draft decommissioning programmes;
- Making sure approved programmes are implemented;
- Representing the UK's decommissioning interests at OSPAR; and
- Developing decommissioning policy and procedures in consultation with stakeholders.



[www.gov.uk/oil-and-gas-decommissioning-of-offshore-installations-and-pipelines](http://www.gov.uk/oil-and-gas-decommissioning-of-offshore-installations-and-pipelines)

# Licensing and Regulating the Explorers and Developers

## The Licensing, Exploration and Development Team:

- Maintain and develop the regulatory framework, taking full account of existing and potential EU legislation, machinery of Government changes.
- Manage the licensing regime, consents for wells, field development plans, etc.
- Promote sound commercial behaviours and efficient use of infrastructure, information and Technology.
- Work with individual companies to maximise the value of fields and prospects.
- Work with the industry on upstream emergency plans.
- Use PILOT to provide strategic direction.
- Provide input to longer term plans for gas storage and carbon capture and median line activity.



[www.gov.uk/oil-and-gas-fields-and-field-development](http://www.gov.uk/oil-and-gas-fields-and-field-development)



# Maximising UKCS Production



## PILOT

PILOT - the oil and Gas taskforce is a unique partnership between the UK Oil and Gas Industry and Government working in cooperation to deliver quicker, smarter and sustainable energy solutions to secure the long term future of the UKCS.

### Vision

Maximising the recovery of the UK's remaining oil and gas reserves is vital to the continued energy security and prosperity of this country. It is estimated that the UK continental shelf could still offer up to 20 billion barrels or more of oil and gas. PILOT, through Industry and government engagement advances initiatives directed at reducing cost, eliminating barriers and maximising the effectiveness of resources to bring about the future which could still see the industry meeting half the country's oil and gas needs in 2020.

### Secretariat

Works to ensure the success of initiatives driven from PILOT, which aim to maximise recovery of the nation's indigenous hydrocarbon reserves, and also improve competitiveness in the Supply Chain. The scope of work incorporates promotion of the UK supply chain capability and facilitating the development of new and emerging technology from concept to deployment. Additionally the unit has responsibility for ensuring the sector has an adequately skilled workforce.

To contact the PILOT Secretariat please email:



[pilot.secretariat@decc.gsi.gov.uk](mailto:pilot.secretariat@decc.gsi.gov.uk)

### Why it works

- There is a common goal to maximise recovery of our indigenous hydrocarbon reserves.
- All stakeholders are engaged in the forum.
- All members have passion and commitment for the process.
- PILOT Membership is valued by companies.
- Specific targets and relevant work areas ensure target focussed meetings.
- Commitment to drive forward initiatives for the greater good of the basin.
- Secretary of State and Ministerial commitment to the process.

## **PILOT Future Challenges:**

- Production Efficiency – To find ways of improving production of oil and gas resources efficiently which will ensure that revenues are maximised and future incremental investments are enabled.
- Improving Recovery - To identify the most effective ways to increase recovery factors and to find mechanisms to improve cost effectiveness including the application of EOR technologies.
- Exploration – Looking at ways to de-risk exploration and increase success rates.
- Technology – To develop an overarching strategy for the basin and identify key technology gaps.
- Infrastructure – To identify critical infrastructure and consider mechanisms to maintain and develop it to meet our future needs.
- Supply Chain Development - Maintaining Competitiveness of the basin and responsiveness of the supply chain.
- Stimulating Investment – looking at Access to Capital issues and over-commercialisation. Ensuring we are on a trajectory to achieve the best overall outcome from the basin.

These objectives have been confirmed by Secretary of State, Energy and Climate Change, Edward Davey.



[www.gov.uk/government/policy-advisory-groups/105#contact-details](http://www.gov.uk/government/policy-advisory-groups/105#contact-details)

# Maximising UKCS Production

## West of Shetland

The area to the west of the Shetland Islands and the Hebrides is the largest remaining area of significant prospectivity on the UKCS and represents potentially 15 - 17% of the UK's remaining oil and gas reserves.

The development of new gas transportation infrastructure and the use of existing infrastructure is the key to unlocking this potential. Total E&P UK Ltd, their partner in the Laggan and Tormore fields, DONG Energy, and other partners in the Rosebank field are currently constructing a new gas pipeline ("SIRGE") that will link the Shetland Islands with St Fergus via the existing Frigg pipeline. Gas transportation was, and is seen as the key to the wider development of the area. The SIRGE system will deliver gas to the market by 2014.

The Laggan and Tormore fields are being developed subsea with production tied-back via a new pipeline system to a new gas processing terminal owned by Total and DONG at Sullom Voe on the Shetland Islands.

A further gas export pipeline is to be built as part of the Chevron operated Rosebank oil field development, and will connect into the SIRGE system. Spare capacity is likely to become available in the future as Rosebank production declines.



# Maximising UKCS Production

## The Petroleum Measurement and Allocation Team

In 2011/12, the Treasury received £6.53bn in direct revenue from taxes on UK oil and gas production. Since the taxation regime is not uniform across the UKCS, allocation of revenue to individual fields is of direct fiscal significance.

The Petroleum Measurement & Allocation Team is responsible for:

- Developing the UK regulatory regime for the measurement of oil & gas on the UK continental shelf;
- Inspecting offshore and onshore installations to ensure compliance with 'good oilfield practice' as described in DECC's Measurement Guidelines;



[www.gov.uk/oil-and-gas-measurement-of-petroleum](http://www.gov.uk/oil-and-gas-measurement-of-petroleum)

- Reviewing Licensee's proposals to ensure that all new field developments (or modifications to existing developments) conform to an agreed Method of Measurement (PON6);
- Liaising with overseas Governments on areas of common interest (e.g. the Memorandum of Understanding (MoU) with the Government of Norway, which covers joint supervisory activities);
- Providing measurement advice within DECC and with other Government Departments (e.g. HMRC, NMO).



# Maximising UKCS Production

## The Field Teams

There are 3 field teams:

- Southern North Sea & East Irish Sea
- Central North Sea
- Northern North Sea and West of Shetland

The field teams work to ensure that, once discovered, potentially economic oil and gas fields are brought quickly into development and their value maximised. The teams play a key role in the approval of licensee's Field Development Plans (FDPs) and applications for Consent to drill wells.

Following FDP approval, the team also work to identify hurdles to incremental activity and to ensure that the economic life of mature fields is maximised and that gas is not wastefully flared.

The teams also have a key role ensuring undeveloped discoveries are not allowed to become fallow, identifying hurdles to beneficial activity and resolving these.

The field teams also conduct an annual review of the UK's oil and gas reserves, and produce short term and long term production forecasts on a regular basis.



 [www.gov.uk/oil-and-gas-uk-field-data](http://www.gov.uk/oil-and-gas-uk-field-data)

For the latest digital UKCS map please see below link – this is updated on a monthly basis

 [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/210689/Infrast\\_Off.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/210689/Infrast_Off.pdf)

# Maximising UKCS Production

## Stewardship and Enhanced Oil Recovery

DECC recognises the importance of maximising potential from existing brown fields. The Stewardship process has established a close dialogue between Government and Industry to look at individual producing assets and has resulted in increased development drilling. It is important to build on this experience and focus on exploration targets and improved field reliability.

- Stewardship has been successful in raising awareness of the benefits of critically analysing the potential of each individual producing asset. There is clear evidence from within the basin that some assets can perform substantially better with the application of increased investment and focus.
- Staff from DECC use the Stewardship process to engage with a number of Operators on the production efficiency of their assets.
- Several North Sea Operators are considering CO<sub>2</sub> injection EOR opportunities, but highlight the current absence of offshore CO<sub>2</sub> supply and the need for collaboration on infrastructure to achieve this. The adoption of Carbon Capture and Storage could also create opportunities for CO<sub>2</sub> EOR.
- There is growing interest in chemical EOR, particularly polymer injection and low salinity waterflood. BP have committed to using low salinity water flood in the second phase of the development of the Clair oil field West of Shetland, the first project of this type to be initiated offshore anywhere in the world. Approval of this project was announced by the PM in Aberdeen in October 2011. And Chevron are carrying out a polymer injection pilot project in their Captain field, only the second offshore project of this type anywhere in the world and several projects are expected to reach sanction over the next few years.

## Heavy Oil

The UK has several billion barrels of "heavy oil" (oil with a higher than usual density and viscosity) that is as yet undeveloped. With the recent high oil prices and fiscal incentives (e.g. the "Ultra Heavy Oil Field Allowance" announced in 2009), there is growing interest in bringing forward these technically challenging development projects, in particular 4 projects in quadrant 9 of the Northern North Sea. A Field Development Plan for Statoil's Mariner heavy oil field was approved in early 2013. Field development plans for three other heavy oil fields in the same area (Statoil's Bressay field, Enquest's Kraken and Xcite Energy's Bentley) are expected to be submitted in 2013. Together, these projects could add up to 1 billion boe to the UK's proven reserves.

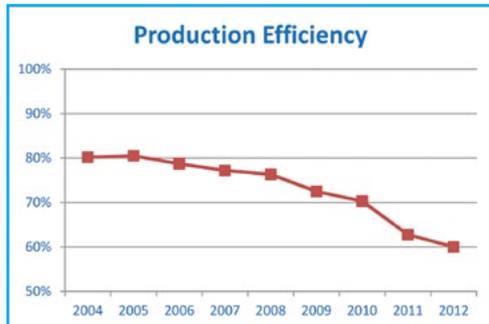
# Maximising UKCS Production

## Production Efficiency - Making it Work

Once a field is developed, it is in the interest of all stakeholders that its oil and gas resources are produced efficiently - by minimising downtime and maximising flow rates.

Production Efficiency (PE) is the metric used by the Department to assess the efficiency of all UKCS production operations on a common basis. This metric is a simple ratio which compares actual production

against the maximum production potential of a system, constrained only by technical and market limits. Depending on factors such as the complexity of a producing system, a PE in the range of 80% to 95% is considered to represent "good" performance.



It is of concern that PE across the UKCS has declined from 80% to around 60%, and that this deterioration has been particularly pronounced over the past 2-3 years. It is estimated that the reduction in PE vis-a-vis previously attained levels currently accounts for almost 0.5 million boe/d of lost production, approximately one third of actual production.

In response to this situation, a UKCS PE target of 80% by 2016 was set by the Department and leading Operators at the PILOT forum in May 2013. To support delivery of this target, a Production Efficiency Task Force (PETF) has been established to share insights on root-causes, consider good practice, and promote collaborative approaches. Production Efficiency improvement themes will be identified to focus the work of the PETF. Individual Operators have committed to prepare asset-specific improvement targets and plans, and make budgetary provisions for implementation.

Overall progress and, where necessary, further interventions will be considered at the bi-annual PILOT forum.

# Maximising UKCS Production

## Licensing and Fallow

Government is committed to maximising the UK's oil and gas resources and wants to work with the industry to realise economic potential. DECC's licensing strategy is aimed to attract the necessary exploration and investment in UKCS.

Licensing has continued to ensure that momentum is maintained and the North Sea continues to attract global investment. In 2012, the most recent (27th) offshore round received the highest number of applications (244) since licensing began in 1964. A first tranche of 167 licence awards were made last Autumn. DECC intends to launch a new offshore round in 2014.

The Fallow process continues to deliver results in terms of numbers of wells drilled and discoveries developed, however as a result of the success of the process there are now fewer Fallow assets remaining.

In view of the time and effort involved in the 27th Round, the Fallow reviews in 2012 were limited in scope. The full fallow review process will be reinstated for 2013 to maintain the pressure for activity or relinquishment prior to the proposed 28th Round.



[www.gov.uk/oil-and-gas-fallow-blocks-and-discoveries](http://www.gov.uk/oil-and-gas-fallow-blocks-and-discoveries)

## Oil and Gas Industry and Supply Chain Development

The Industry Development team supports the Supply Chain serving the Oil and Gas Industry in the UK and abroad by encouraging growth and improving prosperity through greater competitiveness. We do this by encouraging:

- Progressive business practices
- The UK 's contribution to developments
- Strategic and innovative technology developments
- Internationalisation of UK Supply Chain companies
- Skills development

The team also works to ensure the success of initiatives and work areas from PILOT which aims to maximise recovery of the nation's indigenous hydrocarbon reserves.

We maintain on-going engagement with the Supply Chain through our relationships with representative organisations at both a Sectoral and Regional level. The aim is to ensure a fully representative view is presented to Government through Trade Association meetings. Members include:

- Oil & Gas UK
- Subsea UK and Subsea NE
- Offshore Contractors Association
- East of England Energy Group
- NOF Energy
- Energy North
- Decom North Sea
- Energy Industries Council

We work to promote the Supply Chain Code of Practice, which asks companies to agree to adopt and implement best practice guidelines for the UKCS, aiming to improve the way business is conducted. The code aims to; improve performance, eliminate unnecessary costs, and add value and boost competitiveness. The code was re-launched in January with important changes made to the criteria of compliance to encourage better application of the code across the Supply Chain. The signatories work towards full compliance and comprise of major purchasers (Operators and principal Contractors) and suppliers.

We are currently working alongside Decom North Sea to develop the Decommissioning Supply Chain, to ensure it is able to take advantage of the future potential opportunities which will arise.

We also work with UK Operators to maximise opportunities and value creation for the UK Supply Chain and have an on-going dialogue with Industry to understand the changing market. To this end we have developed an initiative - Project Pathfinder to show current and future developments in the UKCS and provide information to the Supply Chain.

# Maximising the Economic Benefits

## PILOT Share Fair



The PILOT Share Fair is the annual flagship event for the Supply Chain. The event is organised by Oil & Gas UK and held each November. The PILOT Share Fair is central to the Supply Chain and continues to grow with a record breaking 1000+ delegates attending last year.

The PILOT Share Fair provides the latest UK oil and gas business opportunities where major oil and gas players unveil their 18 months forward plans for projects in the North Sea.

This event provides delegates with the opportunity to:

- Learn how to do business with companies active in the UKCS
- Find out key points of contact
- Take part in one-to-one discussions with potential clients
- Network with hundreds of industry colleagues
- Support and learn more about the Supply Chain Code of Practice

For more information please see the Oil & Gas UK: PILOT Share Fair web page



[www.oilandgasuk.co.uk/PILOT\\_Share\\_Fair\\_2012.cfm](http://www.oilandgasuk.co.uk/PILOT_Share_Fair_2012.cfm)

## PILOT Forward Workplan



DECC, in partnership with FPAL and Oil & Gas UK created the PILOT Forward Workplan, to provide current on-line information highlighting potential contracts and business opportunities to the Supply Chain. The PILOT Forward Workplan now covers details from around 30 key UKCS Contractors and Operators. The database is hosted on the FPAL website.



[www.achilles.com/en/find-your-achilles-community?id=409](http://www.achilles.com/en/find-your-achilles-community?id=409)

The initiative is part of the 'tiered compliance system' for the Supply Chain Code of Practice, and is criteria for achieving 'Gold' status.



[www.oilandgasuk.co.uk/knowledgecentre/SupplyChainCodeofPractice.cfm](http://www.oilandgasuk.co.uk/knowledgecentre/SupplyChainCodeofPractice.cfm)

## Maximising the Economic Benefits

### **Project Pathfinder - providing the Supply Chain with visibility of future projects**



Project Pathfinder is an initiative set up to assist the Supply Chain pin point and target emerging developments. It provides a real-time look at the oil and gas projects for both new field developments and decommissioning of redundant facilities in the UKCS over the next few years. Currently there are over 50 live projects and the medium term is exceptionally buoyant.

DECC listened to the Supply Chain and concluded that early information on emerging projects would be helpful to enable them to plan ahead. Project Pathfinder provides high level details of the development and timings of the opportunities as well as contact details within the companies. It has been developed to provide increased visibility to the contracting community and to build on the information available from existing forums such as the PILOT Share Fair and the PILOT Forward Workplan.

Industry actively supports this initiative and now directly updates information on their projects via the DECC Oil and Gas Portal, providing a more responsive service.

This work has also been endorsed by influential industry bodies including Oil and Gas UK, and is regularly visited by a wide spectrum of Supply Chain companies.

Click on the below link to view Project Pathfinder



[www.gov.uk/oil-and-gas-project-pathfinder](http://www.gov.uk/oil-and-gas-project-pathfinder)

# Maximising the Economic Benefits

## UK/Norway Cooperation

The UK and Norway share a common interest in maximising the benefit to be gained from all aspects of the North Sea. For many years we have been working closely with our Norwegian counterparts, sharing experience and knowledge on oil and gas development. We share common concerns about safety and the environment and ensure our environmental and regulatory regimes remain exemplars for the international forum.

The close cooperation has created the necessary guidelines to develop trans-boundary fields and pipelines. The Framework agreements have resulted in a significant number of new cross-border fields being developed and has facilitated new pipeline connections.

Notable benefits from the co-operation include:

- Joint Framework Treaty in place.
- New guidance on trans-boundary development published jointly by both Governments to clarify regulatory requirements, simplify the approval process and to expedite new projects.
- New Norwegian gas supplies delivered to the UK, with the Langeled pipeline landing gas from Ormen Lange at Easington and the Tampen link and Gjoa pipelines, connecting the Norwegian Tampen area to St Fergus via the FLAGS pipeline.
- UK/Norway Cross-border Business to Business Mentoring - 5th round of the Mentoring programme will be launched soon. This is part of our on-going cooperation work with Norway to promote reciprocal opportunities for oil and gas supply chain companies on both sides of the North Sea. We jointly champion this initiative with INTSOK – Norwegian Oil & Gas Partners in conjunction with the Norwegian Ministry of Petroleum & Energy.

Contact Rebecca Barry at



[rebecca.barry@decc.gsi.gov.uk](mailto:rebecca.barry@decc.gsi.gov.uk) to register your interest in the programme.



# Maximising the Economic Benefits

## Working with the UK Supply Chain - Fabrication Sector

A key objective of the Industry Development team is to promote economic value to UK business from the entire life cycle of UKCS projects. There is currently a focus on the UK fabrication sector as it has the potential to create and support large numbers of jobs, generally in challenged areas of the country. We aim to highlight the capacity and capability to the Operators with major new projects and developments coming forward. In addition we proactively encourage Operators to afford competent UK fabricators the opportunity to bid for new contracts. This work has recently been reinforced by the creation of the Offshore Industry Group which will be led by former Energy Minister Charles Hendry with the remit of promoting UK content.

Charles Hendry said 'it is important these companies are given a fair opportunity to bid for the work, so we can build upon the skills and expertise we have developed over the past four decades in this sector, I hope we can continue this success where there is UK capability and capacity for fabrication.'

Historically the UK Fabrication sector developed an impressive capability, and one which is mirrored in our indigenous expertise in Front End Engineering and Design. During the decade 2000-2009 there was considerably retrenchment and a number of yards were mothballed, however following the recent renaissance in investment levels we have seen yards resurrected and undertaking significant projects supporting thousands of skilled jobs.



© Derek Gordon dgordonphotography

Including:

- **Gaz de France** - Cygnus project being built at Heerema, Hartlepool and Bi fab, Methil Fife
- **Premier Oil** – Solan jacket and topside being built at Bi Fab Methil Fife
- **Bluewater** – Haewene Brim FPSO being refurbished at the Global Nigg yard in the Cromarty Firth.
- **Talisman** – Monarb jacket being built at OGN on Tyneside
- **ConocoPhillips** – Britannia Module being fabricated by Wilton Engineering Services at Teesside
- **Nexen** – Golden Eagle accommodation module being built at SLP Lowestoft

## Maximising the Economic Benefit

### Commercial Code of Practice

The Commercial Code of Practice (CCoP) has become an established basis for transactions concerning UKCS assets, minimising costs and time involved in negotiations and supporting positive commercial behaviour. This includes the expectation that standard forms of agreement will be used wherever possible. The majority of companies holding licence interests on the UKCS have agreed to abide by the Code. Use of the code is supported by a Champion for each company who can help to facilitate solutions to commercial disputes.



[www.gov.uk/oil-and-gas-codes-of-practice](http://www.gov.uk/oil-and-gas-codes-of-practice)

### Infrastructure Code of Practice

The Code of Practice on Access to Upstream Oil & Gas Infrastructure (ICoP) provides a framework to promote positive negotiations on shared access to pipeline systems and thereby encourage investment both in producing fields and new peripheral developments. All infrastructure owners have signed up to the Code. The Code requires that prospective users invite the Secretary of State to step into negotiations if agreement between parties is not likely in a reasonable time frame. This has been strengthened in the Energy Act 2011 to allow the Secretary of State to step in on his own initiative if he believes that there is no realistic prospect of agreement being reached.

### Improved Access to Infrastructure

In 2012 the PILOT Infrastructure Access Group proposed ways of achieving increased collaboration between Operators, as a way of maximising the reserves of the UKCS that can be developed while the relevant infrastructure is still available for use. Regional Task Forces are being established to put these proposals into practice and develop them further.



[www.gov.uk/oil-and-gas-infrastructure](http://www.gov.uk/oil-and-gas-infrastructure)

# Investing in the Future

## Technology

As the basin matures and recovery of the remaining reserves becomes increasingly challenging the development and deployment of new technologies and innovative solutions is a key enabler to achieving the production goals of PILOT.

We work to facilitate the development of new and emerging technology from concept to deployment:

- Working collaboratively with the Technology Strategy Board on Research and Development;
- Working closely with the Industry Technology Facilitator to foster innovation and facilitate the development and implementation of new technologies into the market;
- A PILOT workgroup has been set up to develop a technology strategy for the UKCS. It is expected this will be completed by the end of the year.

Contact:



[audrey.banner@decc.gsi.gov.uk](mailto:audrey.banner@decc.gsi.gov.uk)



# Investing in the Future

## Delivering an Industrial Strategy for Oil and Gas

Earlier this year three Secretaries of State, Edward Davey from DECC, Vince Cable from BIS and Michael Moore from the Scotland Office, came together along with Industry to launch the Government's Oil and Gas strategy in Aberdeen.

Developed in partnership with industry, the strategy offers investment confidence by setting out a clear path to exploit the UK's remaining resources and overcome an increasingly challenging production environment.

The strategy set out 40 action points and allocated Industry and Government champions to drive each of these forward. Progress will be monitored and reported to Industry at regular intervals.

Highlights from the strategy include:

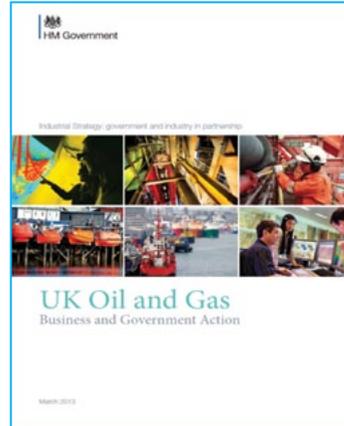
- Encouraging more technological advancement through research and development, which will enable industry to better understand complex reservoirs, reduce drilling costs, improve efficiency and enhance production.
- Developing the UK Supply Chain further so that UK Supply Chain firms can build on the £27 billion of revenues which they already generate in the UK.
- Working to fill the skills gap. This is seen as one of the biggest challenges facing the oil and gas industry, especially for Small and Medium Enterprises (SMEs).
- Maintaining a fiscal regime that encourages investment and innovation in the UKCS

The strategy fosters strong and meaningful collaboration between the Government and Industry and will help to focus efforts on addressing particular areas as listed above. It will further strengthen the oilfield services sector across the country, boost investor confidence, safeguard jobs and help to maximise recovery of Britain's oil and gas reserves.

The Rt Hon Edward Davey MP, Secretary of State for Energy and Climate Change said: "As we move to a low carbon economy, oil and gas will remain a vital part of the UK's energy mix for decades to come – providing energy security, jobs and investment.

"I want to pay tribute to the oil and gas industry. Operating in some of the toughest conditions anywhere in the world it spearheads revolutionary technology in offshore exploration and production.

"Alongside the many opportunities which the North Sea offers, there are of course challenges too. I believe that the joint work by Government and industry, through PILOT and the recently launched Industrial Strategy, will pay real dividends and ensure continuing investment and success."



[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/175480/bis-13-748-uk-oil-and-gas-industrial-strategy.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/175480/bis-13-748-uk-oil-and-gas-industrial-strategy.pdf)

# Investing in the Future

## Review of UK Oil and Gas Recovery

Secretary of State Edward Davey has invited Sir Ian Wood, recently retired Chairman of Wood Group, to conduct a review into how the UK can maximise future economic recovery of oil and gas from the UK Continental Shelf.

While investment is rising and near-term prospects for the UK Continental Shelf (UKCS) are strong, it is one of the most mature offshore basins in the world and therefore faces unprecedented challenges that require new thinking and approaches.

Sir Ian brings huge experience to the review following four decades of leadership in the UKCS, and is universally respected in the industry.

Sir Ian will work with Industry, Government and others to conduct robust analysis in order to produce his recommendations that will shape the future of the UKCS in the decades ahead. Sir Ian will publish emerging conclusions in the autumn with his final report expected in early 2014.

Sir Ian Wood said:

“The UK’s oil and gas Industry is a key component of economic growth, our energy supply and technology development and we must do all we can to ensure its potential is reached. I will consult with Government and Industry on the key lines of inquiry that will make a real difference to improving our economic recovery including optimising use of and extending life of infrastructure, production efficiency and maximising the use of key technologies.”

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## **The Office of Unconventional Gas and Oil (OUGO)**

The Office of Unconventional Gas and Oil (OUGO) was established in March 2013 to co-ordinate work on unconventional gas and oil across other parts of Government with an interest or responsibility in this area. A summary of its objectives are:

### **Making the most of our natural resources**

- Making the best use of our natural resources, encouraging the development in a way that maximises the benefits to the economy while supporting the transition to a low carbon economy at the least cost.
- Work with HMT and the taxation system to support the growth of these industries.

### **Enabling development, protecting the environment and safeguarding the public**

- Ensure regulation of the Industry is as streamlined and simplified as possible while remaining sufficiently robust to safeguard the public, the workforce, and the environment.
- Ensure Government has the right policies in place to ensure safe decommissioning of sites and high quality restoration of the land, without increasing burden to the public purse.

### **Making sure local communities benefit from development in their area**

- Ensure the delivery of a coherent framework for the delivery of local community benefits.

### **Supporting public engagement**

- Helping people understand the facts about unconventional gas and oil.
- Support local authorities to engage with their communities.

### **Building our knowledge base**

- Support the provision of comprehensive, timely and accurate information on unconventional gas and oil recovery.
- Liaise with European and International bodies so we can learn from experiences elsewhere.

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