



Department
of Energy &
Climate Change



Oil & Gas
Authority

Oil and Gas Authority

Framework Document

This Framework Document has been agreed between the Department of Energy and Climate Change ("DECC") and the Oil and Gas Authority ("OGA"). It sets out the relationship between the OGA and the Secretary of State for Energy and Climate Change ("SoS"), and the broad framework within which the OGA will operate. It is signed and dated by the SoS and the OGA. Copies of this Framework Document and any subsequent amendments will be placed in the libraries of both Houses of Parliament by DECC and made available to members of the public on the OGA website.

Statement of Intent

The oil and gas sector makes a significant contribution to the UK's economy, currently supporting around 375,000 jobs and supplying the UK with more than half of its oil and gas. It is vital therefore, both for the UK's energy security and long-term economic outlook, that we take positive steps to maximise the economic recovery of the UK's indigenous hydrocarbon resources.

After almost five decades of offshore production the UK's oil and gas industry is entering the next phase of its development. To ensure both Industry and Government are doing all they can to maximise economic recovery, Sir Ian Wood carried out a comprehensive review of the UK's offshore oil and gas Industry (Wood Review), and published his final report in February 2014. The Wood Review emphasised the need for urgent action to address the challenges faced by the UK's offshore oil and gas sector, and the case for swift action has been strengthened further following the substantial fall in the price of oil in recent months.

The establishment of the OGA sees a key recommendation of the Wood Review delivered a little over a year after the final report was published. In the last 12 months a Chief Executive and other senior roles have been appointed to lead the OGA, as well as a Chair to develop its Board. Legislation has also been passed that sets out the principal objective of maximising the economic recovery of offshore UK petroleum and a power to introduce a levy on certain licence holders to fund the OGA. A broad consultation has also been conducted on how best to introduce the new powers outlined in the Wood Review so as to give the OGA the tools it needs to be fully effective.

The establishment of the OGA as an Executive Agency is intended to be a transitional step on its path to incorporation as a Government Company. Subject to the new Government's legislative programme and the approval of Parliament, the intention is that this will be achieved in summer 2016. However, in the interim it is intended that the OGA will operate and act as closely as possible to its final form as a Government Company. This principle has been reflected in the development of this Framework Document, so as to ensure that the OGA has sufficient operational independence to be effective from day one.

These arrangements will empower the OGA to act as a confident and credible regulator which is able to influence, facilitate and work with Industry to realise the huge but challenging benefits on offer and maximise the economic recovery of offshore UK petroleum.

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**OGA:
Agency Framework Document**

April 2015

A. Overview of the OGA

1. Definitions

Reference in this agreement to:

- (A) **"AME Budget"** means Annually Managed Expenditure Budget;
- (B) **"AO"** shall have the meaning given to it in Clause 8.1;
- (C) **"Budget"** shall have the meaning given to it in Clause 21.1;
- (D) **"Business Plan"** shall have the meaning given to it in Clause 20.1;
- (E) **"Chair"** means the chairperson of the OGA Board;
- (F) **"Chief Executive"** means the Chief Executive and Accounting Officer of the OGA;
- (G) **"Consolidated Fund"** means the Government's bank account;
- (H) **"Consolidated Resource Accounts"** means DECC's consolidated accounts for all entities within its departmental accounting boundary;
- (I) **"DECC"** means the Department of Energy and Climate Change;
- (J) **"DECC Executive Committee"** means DECC's Executive Committee as defined in its Governance Structures Guidance;
- (K) **"EA"** shall have the meaning given to it in Clause 2.1;
- (L) **"FReM"** shall have the meaning given to it in Clause 22.1;
- (M) **"GovCo"** (for the purposes of this Framework Document) means a private company, limited by shares, wholly owned by the SoS;
- (N) **"Guiding Principle"** shall have the meaning given to that term in Clause 3;
- (O) **"Industry"** (as defined in Part 1A of the Petroleum Act 1998,¹) includes:

¹ Part 1A is inserted into the Petroleum Act 1998 by section 41 of the Infrastructure Act 2015.

- (i) holders of petroleum licences;
 - (ii) operators under petroleum licences;
 - (iii) owners of upstream petroleum infrastructure; and
 - (iv) persons planning and carrying out the commissioning of upstream petroleum infrastructure.
- (P) **"MER UK"** (for the purposes of this Framework Document) means maximising the cost-effective recovery of oil and gas from the United Kingdom Continental Shelf in order to maximise long-term added value to the UK as a whole;
- (Q) **"MER UK Strategy"** shall have the meaning given to that term in Clause 4.1(A)(i);²
- (R) **"NED"** means a non-executive director of the OGA Board;
- (S) **"OGA"** means the Oil and Gas Authority in its pre-Transition form as an EA;
- (T) **"OGA (GovCo)"** means the Oil and Gas Authority in its post-Transition form as a private company, limited by shares, and established pursuant to the Companies Act 2006;
- (U) **"OGA Board"** means the advisory board of the OGA as an EA;
- (V) **"OGA (GovCo) Board"** means the post-Transition Companies Act 2006 board;
- (W) **"PAC"** means the Public Accounts Committee;
- (X) **"PAO"** means the Principal Accounting Officer and shall have the meaning given to it in Clause 8.1;
- (Y) **"SCS"** means the Senior Civil Service;
- (Z) **"SID"** means the senior independent non-executive director of the OGA Board;
- (AA) **"SoS"** means the Secretary of State for DECC as the sponsoring minister of the OGA, or such person or persons as the Secretary of State for DECC may nominate to undertake actions or make decisions on his or her behalf including, in particular, a Minister and the Sponsor;
- (BB) **"SoS Rights and Consent Matters"** means the matters set out in Annex 3;

² See also Part 9A of Part 1A 41 of the Infrastructure Act 2015 which is inserted into the Petroleum Act 1998

- (CC) **"Sponsor"** and **"Sponsorship Team"** shall mean the person or persons appointed as such by the SoS in accordance with Clause 8.3. In addition to the matters described in Clause 8, it is expected that the Sponsor and Sponsorship Team will carry out a role equivalent to that which will be performed by the Shareholder Team. In the OGA (GovCo) it is intended that the role of the Sponsor and Sponsorship shall be carried out by a SoS Representative Director and Shareholder Team;
- (DD) **"Transition"** shall have the meaning given to it in Clause 2.2(A); and
- (EE) **"Trust Statement"** means the set of financial statements separate from DECC accounts, reporting on revenue collected by DECC on behalf of Government, which is paid into the Consolidated Fund.

2. Background

- 2.1 To expedite the implementation of recommendations made in the Wood Review, the OGA was established as an Executive Agency ("EA") of DECC immediately prior to this Framework Document being signed.
- 2.2 To meet the recommendation made in the Wood Review that a new regulator should be an independent, arms' length body:
- (A) there is a clear and agreed trajectory for the OGA (as an EA) to transition to a GovCo ("**Transition**"). This is set out in Annex 1; and
 - (B) it is agreed that the operation and governance of the OGA (as an EA), and the exercise of rights, influence and control by the SoS while the OGA is an EA, will, so far as is possible, be consistent with when the OGA is a GovCo, post-Transition.
- 2.3 Notwithstanding Clause 2.2 there are a number of formal differences between an EA and a GovCo. This will make it necessary for a new Framework Document to be entered into when the OGA becomes a GovCo.
- 2.4 This Framework Document makes a number of specific references to key differences between the OGA and the OGA (GovCo), including at Clause 2.5 below. A more complete list of the expected differences is included in Annex 1. References in this Framework Document to the OGA will always mean to the OGA as an EA unless it is expressly stated otherwise.
- 2.5 The main differences between the OGA and the OGA (GovCo) are that:
- (A) OGA staff:
 - (i) are Civil Servants while the OGA is an EA; and
 - (ii) following the OGA's transition to a GovCo will be directly employed by the OGA (GovCo) and will no longer be Civil Servants.
 - (B) The Chief Executive:
 - (i) is ultimately responsible to the SoS;
 - (ii) following the OGA's transition to a GovCo will be responsible to the OGA (GovCo) Board, who in turn will be responsible to the SoS; and

(iii) as AO, will be responsible for the OGA's use of resources in carrying out its functions. These responsibilities will remain unchanged as a result of Transition.

(C) Board:

(i) the OGA Board will technically be an 'advisory board' while the OGA is an EA, and will therefore be comprised of board members who do not operate in the same legal capacity as that of company directors; and

(ii) following Transition, the OGA (GovCo) Board will be a Companies Act 2006 board whose Directors will be subject to all applicable legal and fiduciary duties owed as between director and company.

2.6 The OGA:

(A) will have its head office in Aberdeen;

(B) is expected to initially have up to 200 employees (this is, however, dependent on the outcomes of the organisational design process); and

(C) is expected to have an annual budget which will be determined by a number of factors, including the conclusion of the organisational design exercise. Figures included in the Impact Assessment, published in Q3 2014, estimated this at around £15 million.

3. Guiding Principle

3.1 The OGA's Guiding Principle in relation to the offshore oil and gas Industry's activities is to use its powers and influence to maximise the economic recovery of offshore oil and gas in the UK.

3.2 DECC may, taking into account the views of the OGA, issue the OGA with further guiding principles in respect of its other activities.

4. Purposes and Duties:

4.1 The purposes and duties of the OGA are to:

Offshore

(A) give effect to the Guiding Principle in relation to the offshore oil and gas Industry's activities as set out in Clause 3.1. In order to do so the OGA will:

(i) work proactively with Industry and other parts of Government to develop an enduring, coherent, tripartite strategy to give effect to MER UK ("**MER UK Strategy**") that is acceptable to the SoS, and understood by Industry, within 12 months of the Infrastructure Act 2015 coming into force;

- (ii) work proactively to action the MER UK Strategy (as it may be amended from time to time with the prior written approval of the SoS);
- (iii) be a strong and effective steward and regulator of the offshore oil and gas Industry;
- (iv) take appropriate action if Industry acts in a way that is contrary or inconsistent with MER UK; and
- (v) encourage, catalyse, facilitate and support collaboration across Industry to act in a way that will maximise the recovery of offshore oil and gas;

Offshore and onshore activities

- (B) be responsible for issuing licences and supervising the activities of licensees;
- (C) fulfil the functions in Annex 2;
- (D) adhere to and implement Government policy set by the SoS; and
- (E) provide advice and expertise to industry and Government;

Gas unloading and carbon capture and storage

- (F) be responsible for issuing licenses for the capture and sub-surface storage of gas, its unloading, and supervising the activities of licensees; and
- (G) in due course it is expected that the OGA will provide expert advice to DECC in relation to gas storage and carbon capture policy.

5. Operational parameters

5.1 The OGA will undertake its activities in accordance with the:

- (A) MER UK Strategy;
- (B) this Framework Document;
- (C) all applicable laws and regulations;
- (D) constraints that apply to EAs; and
- (E) the Guiding Principle.

6. Operational Independence and SoS Rights and Consent Matters³

- 6.1 So far as is possible for an EA, the SoS intends that, subject to Clause 7.4, the OGA should have day-to-day operational independence from DECC.
- 6.2 Notwithstanding Clause 6.1, whilst the SoS intends that the OGA should have day-to-day operational independence, the SoS may, on occasion, find it necessary to mandate certain action.

³ Government intends that the EA will operate as if it were a GovCo from day one. As such, it is appropriate that the concept of SoS Rights and Consent Matters are catered for while the OGA is an EA. This will facilitate Transition.

B. Accountability and corporate governance

7. Ministerial responsibility

- 7.1 The SoS is responsible for the overall policy framework within which the OGA operates. Further, he or she is ultimately responsible to Parliament for the OGA, and accordingly will account for its business in Parliament.
- 7.2 In practice, the SoS may decide to empower a DECC Minister to act on his or her behalf.
- 7.3 The SoS' role includes:
- (A) setting the policy for the OGA and the legislative framework within which the OGA will operate; and
 - (B) assessing and approving the Business Plan developed by the OGA to give effect to SoS policy and strategic decisions, and desired outputs, that affect the long term viability and sustainability of the OGA and the ability to deliver value for money, in light of wider DECC and Government strategies.
- 7.4 The OGA will exercise day-to-day functions on behalf of the SoS, however, certain matters, as set out in Annex 3 ("**SoS Rights and Consent Matters**"), will be brought specifically to the Sponsor's attention in the first instance.
- 7.5 The SoS shall meet the Chief Executive and the Chair from time to time as necessary and, in any event, will meet the Chief Executive and Chair at least annually to discuss the OGA's performance and how any significant risks can be managed.
- 7.6 Similarly, the SoS may, from time to time, require a meeting with the Chief Executive and/or the Chair.

8. Sponsor department's accountabilities and responsibilities

- 8.1 The DECC Permanent Secretary, in his or her role as Principal Accounting Officer ("**PAO**"), designates the Chief Executive as the OGA Accounting Officer ("**AO**"). The respective responsibilities of the PAO and Accounting Officers for arm's length bodies are set out in Chapter 3 of Managing Public Money.
- 8.2 The PAO:
- (A) retains overall responsibility to Parliament for the organisation and quality of management, use of public money and stewardship of assets for DECC as a whole, including within its arm's length bodies such as the OGA;

- (B) is responsible for bringing concerns about the activities of the OGA to the attention of the AO and OGA Board and, as appropriate, to DECC, and for requiring assurance that appropriate actions have been taken; and
 - (C) must ensure that the OGA is operating in full compliance with the guidance in Managing Public Money.
- 8.3 The DECC Permanent Secretary appoints a departmental sponsor for the OGA (the "**Sponsor**"). This role is usually carried out by a member of the DECC Executive Committee and in any case is normally at the level of Director General. In the first instance this role will be carried out by the Director of the Energy Development Unit.
- 8.4 The Sponsor will, in turn, be supported by a team ("**Sponsorship Team**").
- 8.5 It is anticipated that in the OGA (GovCo) the Sponsor will fulfil the role of SoS Representative Director.
- 8.6 The Sponsor and Sponsorship Team provide an important link between the OGA, the DECC Executive Committee and the SoS. Their core functions and responsibilities are to:
- (A) monitor the performance of the OGA;
 - (B) continue to assess and assure the SoS that the OGA is delivering its objectives effectively, including by providing advice on OGA progress and performance;
 - (C) advise the SoS in relation to the SoS Rights and Consent Matters and the exercise of any other rights held by the SoS;
 - (D) ensure that the OGA has the delegated authorities necessary for effective delivery and continuous improvement;
 - (E) advise the SoS on the strategic direction of the OGA in the context of wider departmental or cross-governmental policy objectives;
 - (F) advise the Chief Executive and the OGA Board of central policy developments that might impact upon the OGA;
 - (G) assist the Chief Executive and the OGA Board in the handling of complex relationships across Government, and in implementing the recommendations emerging from formal reviews that cover the OGA;
 - (H) provide Ministers with any support, briefing or information ancillary to the effective delivery of DECC policy by the OGA;
 - (I) advise the SoS on how to respond to performance information concerning the OGA;
 - (J) assess risks to DECC's objectives;

- (K) advise on the OGA's activities to ensure they most effectively support delivery of DECC objectives; and
 - (L) be available to meet the Chief Executive to discuss concerns regarding line-management pursuant to Clause 9.4(D).
- 8.7 The Sponsor and Sponsorship Team will fulfil their core functions and responsibilities through periodic meetings and information exchange with the Chief Executive and Chair in accordance with Section D.

9. Responsibilities of the Chief Executive

- 9.1 The Chief Executive has responsibility for the day to day management of the OGA, subject to, and in accordance with, this Framework Document and plans agreed with the OGA Board and DECC.
- 9.2 It is intended that, as far as is possible, the Chief Executive will operate in a manner consistent with how he or she is required to operate in the OGA (GovCo), and reference to the operations of the Chief Executive made herein should be interpreted in accordance with this principle.
- 9.3 As AO, the Chief Executive is personally responsible and accountable to Parliament for the organisation of, and quality of management in, the OGA, including its use of public money and stewardship of its assets. The Chief Executive also has specific responsibility for ensuring that the OGA operates in full compliance with the guidance in Managing Public Money.
- 9.4 The Chief Executive:
- (A) is supported and challenged by the OGA Board, and works closely with the Chair to ensure effective governance;
 - (B) within the limits of his or her assigned authority, has the responsibility for making such changes to the organisation as he or she considers necessary to maintain and improve the operating efficiency and overall performance of the OGA;
 - (C) whilst leading the OGA, is a Civil Servant employed by DECC, and is part of the Senior Civil Service ("**SCS**") of DECC;
 - (D) in accordance with CO Guidance, will be directly accountable to the SoS, and responsible to the Sponsor, for his or her performance, however, it is envisaged that a performance review and any actions associated with this process will:
 - (i) be carried out in the first instance by the Chair in accordance with principles of recognised corporate governance; and
 - (ii) be ratified by the Sponsor;

- (E) is at all times subject to the prevailing rules that govern the conduct of Civil Servants or that determine the propriety of action which Civil Servants may take, including the Civil Service Code and any central guidance that may from time to time be given to EA chief executives.
- 9.5 The Chief Executive's accountabilities are set out below. It is envisaged, however, that decision making will be taken in close consultation with the OGA Board as would be the case under recognised corporate governance principles. They include:
- (A) establishing a suitably qualified senior executive team and ensuring it delivers on agreed objectives;
 - (B) providing all the necessary information for the following financial year as required by the SoS for the determination of each fee and charge and the levy in full compliance with Managing Public Money (in particular, Chapter 6 and its annexes); and, providing financial information on fees, charges and the levy on an on-going basis in-year;
 - (C) signing the accounts and ensuring that proper records are kept relating to: financial accounts, so as to ensure that the annual accounts are properly prepared and presented in accordance with the principles of Managing Public Money; any directions issued by the SoS; and, other reporting requirements as deemed essential by the OGA Board;
 - (D) preparing and signing a Governance Statement regarding the system of internal control (including corporate governance, risk management and oversight of any local responsibilities), for inclusion in the annual report and accounts;
 - (E) ensuring that effective procedures for handling complaints about the OGA are established and made known; and
 - (F) giving evidence on the OGA's stewardship of public funds, normally together with the PAO, when summoned before the PAC or any other relevant Parliamentary Committees.
- 9.6 Particular responsibilities of the Chief Executive, supported by the OGA Board, towards DECC include:
- (A) assuring the PAO that the OGA has adequate financial systems and procedures in place to promote efficient and economical operations and to safeguard financial propriety and regularity of public funds administered by the OGA (and to undertake those other AO responsibilities as set out in Clause 18);
 - (B) proactively managing the OGA's strategic direction;
 - (C) reporting progress against the Business Plan and any wider policy objectives, and demonstrating how resources are being used to achieve those objectives, to the Sponsor and/or Sponsorship Team (as appropriate) regularly and at an agreed frequency;

- (D) ensuring that timely forecasts and monitoring information on performance and finance are provided to DECC; and
- (E) ensuring that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to DECC in a timely fashion and responded to appropriately and in accordance with any direction given by the SoS.

10. The Chair of the Board

10.1 The Chair is the lead non-executive director of the OGA Board and is appointed by the SoS. The Chair has the following responsibilities:

- (A) leading on the creation of an effective and appropriate internal governance structure including the establishment of an OGA Board to fulfil the OGA's purposes and duties, as outlined in Clause 4;
- (B) leading the OGA Board. This includes enabling a high standard of discussion and debate, helping to steer the OGA by facilitating collective working and ensuring that systems are in place to provide OGA Board members with the support and timely, relevant, information that they need to carry out their role;
- (C) leading on the appointment, induction, succession and assessment of NEDs to ensure that the OGA Board has an appropriate and relevant balance of skills;
- (D) ensuring collective behaviours and high standards of regularity and propriety, in line with relevant guidance provided by the SoS, DECC or wider Civil Service. This includes ensuring formal and rigorous annual evaluation of the OGA Board's performance and that of its committees and of individual OGA Board members. Individual feedback on the executive team will be provided by the Chief Executive;
- (E) ensuring that the OGA Board both supports and holds the executive team to account for the OGA's performance;
- (F) providing the Sponsor with the OGA Board's perspective on strategic matters and other relevant issues. This includes being actively involved in the performance and assessment of the Chief Executive; and
- (G) providing advice and informal support to the Chief Executive.

11. The OGA Board

11.1 As an EA the principal function of the OGA Board is to advise the SoS. However, as the OGA Board is expected to transition to be the OGA (GovCo) Board, it is expected to provide support and challenge to the Chief Executive and therefore in practice the OGA Board will operate as if it is collectively responsible for the OGA's long term success. It provides strategic leadership to the OGA, within a framework of prudent and effective controls that enables risk to be assessed and managed.

- 11.2 The OGA shall operate a corporate governance framework which, so far as is practicable, and in the light of the other provisions of this Framework Document or as otherwise may be agreed with the SoS, accords with corporate governance best practice. In particular (but without limitation), the OGA shall comply, so far as is appropriate for an EA, with the provisions of 'The UK Corporate Governance Code', published by the Financial Reporting Council (the "**Corporate Governance Code**"), or explain any non-compliance in its annual report. The OGA shall also comply with 'Corporate Governance in Central Government Departments Code of Good Practice' as jointly-authored by HM Treasury and Cabinet Office.
- 11.3 It has been agreed that:
- (A) the OGA Board is to consist of no fewer than two and no more than 12 directors;
 - (B) the senior independent non-executive director ("**SID**") and the independent, non-executive directors ("**NEDs**") are to constitute the majority of the OGA Board;
 - (C) the SoS (in line with Office of Commissioner of Public Appointments principles) shall appoint the OGA's Chair and may appoint a suitably qualified person as his or her representative director (the "**SoS Representative Director**") to sit on the OGA Board;
 - (D) subject to the prior written consent of the SoS, the OGA Board shall appoint the other directors according to the recommendations of the Nominations Committee as referred to in Clause 11.6(A)(iii);
 - (E) the NEDs, led by the SID, shall meet at least annually to undertake suitably rigorous appraisals of the effectiveness of the Chair;
 - (F) OGA NEDs will be appointed for an initial term of up to 3 years as deemed expedient by the OGA Board. It is expected that OGA NEDs will become NEDs of the OGA (GovCo) before the expiry of the initial term. If, however, Transition fails to occur within this period, OGA NEDs will be subject to re-appointment every 3 years; and
 - (G) the OGA Board shall have due regard to the Corporate Governance Code's principle that the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the OGA Board.
- 11.4 The OGA Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The OGA Board is expected to assure itself of the effectiveness of the internal control and risk management systems, and will have due regard to the need for full compliance with Government guidance as contained in Managing Public Money.

- 11.5 Individual board members (whether executive or NEDs) should comply at all times with Cabinet Office's 'Code of Conduct for Board Members of Public Bodies',⁴ and with the rules relating to the use of public funds and to conflicts of interest, including:
- (A) not misusing information gained in the course of their public service for personal gain or for political profit, nor seeking to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and
 - (B) complying with the OGA Board's rules on the acceptance of gifts and hospitality, and of business appointments.
- 11.6 The OGA Board:
- (A) will constitute as a minimum the following committees of the OGA Board:
 - (i) Audit and Risk Committee (to be chaired by a NED who holds appropriate experience and knowledge of corporate audit procedures and risk management);
 - (ii) Remuneration Committee; and
 - (iii) Nominations Committee;
 - (B) will ensure that the Sponsor will always be a member of the Remuneration Committee, and the Audit and Risk Committee; and
 - (C) may establish other committees of the OGA Board as it determines appropriate.

12. Risk management

The OGA shall ensure that, except as expressly agreed with the SoS, the risks that it faces are actively identified and dealt with in an appropriate manner and in accordance with relevant aspects of best practice in corporate governance and HM Treasury's guidance on managing risk,⁵ and that it develops a risk management strategy. It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the HM Treasury's guidance on tackling fraud.⁶ It should also take all reasonable steps to appraise the financial standing of any firm or other organisation with which it intends to enter into a contract.

⁴ http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.pdf

⁵ <https://www.gov.uk/government/publications/orange-book-Management-of-Risk-Principles-and-Concepts>

⁶ http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf, and http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/tackling_external_fraud.pdf

C. Recruitment and pay

13. Employee status

- 13.1 EA staff members are Civil Servants, working for the OGA as an EA of DECC. They are employed subject to the Civil Service Management Code and Civil Service Code.
- 13.2 The OGA will have a number of SCS appointments including the Chief Executive. Members of the SCS are directly employed by DECC and will have the status, pay arrangements and other conditions of service which are common to the SCS except where contracts state otherwise.

14. Pay, grading and policies

- 14.1 The OGA will remain part of the DECC pay bargaining unit, which will be negotiated centrally by DECC HR. OGA-specific pay and reward issues will be recognised and reflected in the annual DECC Reward Strategy. Subject to agreed OGA pay and reward arrangements, OGA staff will remain on DECC terms and conditions, and any changes to staff pay terms and conditions will apply to OGA staff below the SCS, until such time as the OGA decides to take full pay delegation.
 - 14.2 The Chief Executive will assume responsibility for the performance management, promotion and general management of staff within the OGA.
 - 14.3 Pay arrangements for the OGA senior appointments (for example, executive members of the OGA Board) will be governed in accordance with the conditions agreed with CST/Cabinet Office.
 - 14.4 Gifts to staff must only be made in accordance with policies and processes agreed by the Remuneration Committee.
 - 14.5 Staff terms and conditions should be set out in an Employee Handbook which should be provided to DECC by the OGA, together with subsequent amendments. DECC will provide to the OGA all information necessary to facilitate this.
 - 14.6 OGA staff who were permanent members of DECC before transfer or who have been recruited in on a permanent contract whilst the OGA is an EA will normally be eligible for a pension provided through the standard Civil Service Pension arrangements unless stipulated otherwise.
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14.7 The OGA, and employees of the OGA, will operate in accordance with, and subject to, DECC policies and procedures concerning matters of employment, including policies and procedures relating to whistle blowing.

D. Operational and financial reporting

15. Information flows

- 15.1 The Sponsor will monitor the OGA's performance by means of the following mechanisms:
- (A) a monthly report, in agreed form, containing such information the Sponsor, in consultation with the OGA, deems sufficient to monitor the delivery of the activities outlined in this Framework Document;
 - (B) quarterly meetings with the Chief Executive and the Chair, or more regular meetings if deemed necessary or desirable by the Sponsor, to fulfil his or her duties as described in Clause 8.6;
 - (C) the OGA will promptly and without delay disclose to the Sponsor any information regarding the OGA which is likely to have a material financial, reputational or otherwise adverse effect on the delivery of the OGA's purposes and duties as described in Clause 4, or is likely to result in the OGA having insufficient funds to meet its operational costs or its obligations under the Infrastructure Act 2015 or other applicable legislation;
 - (D) the OGA will provide the Sponsor with copies of Board papers as soon as they are available; and
 - (E) the Sponsor will be entitled on reasonable notice to such information in relation to the affairs of the OGA as it may reasonably require, and the OGA shall provide such information as expeditiously as possible.

16. Financial reporting requirements

- 16.1 The OGA shall operate management, information and accounting systems that enable it to review its financial and non-financial performance against the budgets and targets set out in the Business Plan in a timely and effective manner. The OGA shall inform DECC of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including its performance in helping to deliver Ministers' policies, and the achievement of key objectives, through regular engagement with the Sponsor and/or Sponsorship Team.
- 16.2 As a minimum, the OGA will provide DECC with monthly information that will enable DECC to monitor:
- (i) the OGA's cash management;
 - (ii) forecast outturn by resource and income headings;
 - (iii) draw down of any Grant in Aid (as detailed in the accompanying Finance Letter); and

(iv) other data as required for reporting to HM Treasury using the Online System for Central Accounting and Reporting ("**OSCAR**").⁷

- 16.3 The OGA shall provide information to DECC as necessary, and in the required format, so as to facilitate the incorporation of the OGA into DECC Consolidated Resource Accounts, and the completion of a Trust Statement in relation to licensing income received under the Petroleum Act 1998, which is surrendered to the Consolidated Fund.

⁷ Details are contained in the Finance Letter.

E. Management and financial responsibilities

17. Financial regime

- 17.1 For the purposes of DECC's Parliamentary Supply Estimate, the OGA's spending will be treated as being part of that of DECC. This means the OGA will have to include both its gross spending and income in the Estimate.
- 17.2 The OGA will be included within the Annual Report and Consolidated Accounts that DECC prepares for all entities within its remit. The OGA will provide DECC with all such additional information the Sponsor deems necessary in this regard.
- 17.3 The OGA will ultimately recover its costs from industry including the cost of maintaining professional capability and appropriate infrastructure (including suitable IT facilities) by way of a joint system of fees, charges and a levy in accordance with the applicable legislative provisions and in full compliance with the guidance in Managing Public Money, in particular Chapter 6 and its annexes. However, Government will provide the OGA with an initial grant of £3m per annum from FY 2016/2017 up until and including FY 2020-21, to support the OGA in managing its operational costs of establishment. As an EA, agreed budgets will be delegated accordingly.
- 17.4 The OGA will be provided with cash funding through standard DECC arrangements and capital budgets agreed through delegations.
- 17.5 The Chief Executive will ensure that all the necessary information for the following financial year, to ensure on-going compliance with Managing Public Money, furtherance of DECC policies and to cover its costs, is provided to enable the determination of each fee and charge and the levy in full compliance with Managing Public Money (in Chapter 6 and its annexes) ahead of the financial year to which that fee, charge and levy relates.
- 17.6 Capital budgets for the year ahead, and any provisional baseline, will be negotiated and agreed annually in accordance with DECC's business planning process. The capital budget will be set for the 12 months ending 31 March each year. It will be funded by DECC each year, and if required, will be repaid to DECC in subsequent years through depreciation charged in the operational cost levy.
- 17.7 Any AME Budget cover will need to be agreed with DECC in line with the relevant timetable for inclusion in Parliamentary Supply Estimates.

18. Accounting officers

- 18.1 The DECC Permanent Secretary, in his or her role as the PAO, is the principal adviser to the SoS on matters concerning DECC as a whole, including expenditure allocation and finance, and is responsible for ensuring a high standard of financial management.

- 18.2 The PAO designates the Chief Executive as AO of the OGA by letter ("**AO Letter**").
- 18.3 As AO, the Chief Executive is responsible for assuring the PAO that the OGA has adequate financial systems and procedures in place to promote efficient and economical conduct of its business and to safeguard financial propriety and regularity.
- 18.4 As provided for in the in the AO Letter, the Chief Executive, as AO, will be responsible for ensuring that the requirements of Managing Public Money are met and that proper procedures are followed for the security, regularity and propriety of the public funds administered by the OGA.
- 18.5 The Chief Executive is responsible for the timely production of data required by DECC for the in-year monitoring of its accounts.
- 18.6 The Chief Executive is responsible for ensuring that the OGA observes any general guidance issued by HM Treasury and the Cabinet Office, and for putting into effect any recommendations of the PAC, other Parliamentary Select Committees or other Parliamentary authority insofar as they are accepted by Government.

19. **Delegated authorities**

- 19.1 Delegated authorities will be formally agreed annually between the SoS, PAO and the OGA and recorded in a letter ("**Delegations Letter**"), to be provided by DECC, detailing the Chief Executive's delegated authorities that will be provided by DECC. The Chief Executive may sub-delegate his or her authorities in writing to appropriate, named individual staff within the OGA.
- 19.2 The OGA shall follow the principles, rules, guidance and advice in Managing Public Money, including but not limited to those regarding novel, contentious or repercussive proposals (such as significant future cost implications), and will refer any difficulties or potential bids for exceptions to the Sponsor in the first instance.
- 19.3 The OGA will be free to conduct its financial affairs subject to the provisions of this Framework Document, the delegated authority contained in the Delegations Letter and the details outlined in the Finance Letter. The OGA will consult appropriately with DECC before making any financial commitments not covered by these requirements.

F. Business planning

20. Business plans

- 20.1 An initial one year business plan to cover FY 2015/2016 has been agreed. Furthermore, the OGA Board will prepare and maintain a rolling three year business plan which will to be updated annually and agreed with the SoS. The first such plan will be prepared in 2015 to support the 2016/17 operational budget. References in this Framework Document to the "**Business Plan**" are to the initial one year business plan until such time as a rolling three year business plan is in place and thereafter means the rolling three year business plan. The Business Plan:
- (A) should set out an overall strategy and medium-term proposals for implementation, including annual priorities and actions to meet strategic objectives for the OGA;
 - (B) is the main framework for monitoring progress against longer term objectives; and
 - (C) will set out the estimated rolling operational budget (discussed below) and capital budget required, including a breakdown of how such funds will be recouped.
- 20.2 Civil service-wide spending controls will apply, save where agreed in advance with the Controls Team in Cabinet Office.

21. OGA operational budget

- 21.1 The OGA Board will prepare and maintain an annual operational budget ("**Budget**") which is appropriate to ensure the fulfilment by the OGA of its purposes and duties as described in Clause 4, and compliance with its associated obligations, as described in this Framework Document.
- 21.2 Every year the OGA will submit to the SoS / Sponsor its Budget (relating to its next financial year set out in the context of the most recent Business Plan) for approval. The Budget will delineate between expected fees and charges, as against the quantum required by the OGA by way of the levy, for the subsequent financial year. This must be provided in an agreed format and by an agreed date to allow sufficient time and detail so as to enable the Sponsor to assess and approve the levy and to prepare regulations which must be made and laid before Parliament.
- 21.3 The AO is accountable for ensuring that the Budget is prepared and spent in accordance with Managing Public Money, or any other relevant budgetary instructions.

22. Annual accounts and audit

Annual Report and Accounts

- 22.1 The Chief Executive will prepare and sign an Annual Report and audited set of OGA Accounts, compliant with the relevant accounting standards, and HM Treasury's Financial Reporting Manual ("**FReM**").
- 22.2 Following reasonable opportunity for review by the Sponsor, these will be submitted to the SoS for presentation to Parliament. The Annual Report and Accounts will be made available on the OGA's 'gov.uk' website.
- 22.3 The OGA shall provide DECC with audited, FReM compliant, financial information and supporting narratives by specified dates each year and in the required format in order for DECC to prepare its consolidated annual report and accounts.

Internal Audit

- 22.4 The OGA will establish an appropriate internal audit function which will report to the OGA Board's Audit and Risk Committee, and provide all material reports and findings to the SoS.

External Audit

- 22.5 The OGA will:
 - (A) appoint the National Audit Office to audit its financial statements in accordance with the Government Resources and Accounts Act 2000 and having regard to the recommendations of the Audit and Risk Committee;
 - (B) produce its accounts in accordance with statutory requirements, applying the requirements of the Companies Act 2006, IFRS and FReM, as appropriate; and
 - (C) provide the DECC Finance team, when requested, with such information as is necessary for DECC to produce its own accounts.
- 22.6 The Comptroller & Auditor General may carry out examinations into the economy, efficiency and effectiveness with which the OGA has used its resources in discharging its functions.
- 22.7 The OGA will:
 - (A) give the National Audit Office appropriate access to documents to enable audits and examinations to be undertaken; and
 - (B) The OGA shall use its best endeavours to provide in the terms and/or conditions of any grants or contracts it issues, for the C&AG to exercise such access to documents held by grant recipients, contractors or sub-contractors as may be required for its audit and examinations; and shall use reasonable endeavours to

secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

G. Miscellaneous

23. Continuation of the EA

- 23.1 Subject to Clause 23.2 below, the OGA will continue in existence as an EA until Transition or for so long as it is required to carry out the OGA's purposes and duties as set out in Clause 4 (whichever is earlier).
- 23.2 It is envisaged that the OGA will be dissolved upon:
- (A) Transition;
 - (B) completion of the OGA's purposes and duties as set out in Clause 4; or
 - (C) termination by the SoS.
- 23.3 DECC shall put in place arrangements to ensure the orderly dissolution of the OGA upon the happening of any of the events set out in Clause 23.2 above.

24. Publication

- 24.1 Copies of this Framework Document, and any amendment to it, will be placed in the libraries of the Houses of Parliament by DECC and can be obtained from the OGA. The OGA shall also make this Framework Document (and any amendments to it) available on its website.

25. Complaints

- 25.1 The OGA will handle comments, suggestions and complaints in accordance with the procedure, published under the Government's Customer Service Excellence Standard, and publicly accessible at the OGA's 'gov.uk' website.
- 25.2 Members of Parliament have the right to refer complaints from their constituents to the Parliamentary Commissioner for Administration where they claim to have suffered injustice by virtue of maladministration of the OGA.

26. Relationship with other bodies

- 26.1 The OGA will work closely and collaboratively with both Government and industry as part of the tripartite approach advocated in the Wood Review. The OGA will put processes in place to regularly engage with both industry and other Government departments, including through the establishment of an OGA stakeholder board, and will formally consult on the development of the MER UK Strategy.
- 26.2 As part of its remit, the OGA will provide advice to DECC on the development of relevant policy, and will provide advice to HM Treasury to support it in the development of the UK's oil and gas fiscal regime.

26.3 More generally, the OGA will take an inclusive approach and will work closely with other Government departments and relevant stakeholders in the oil and gas sector, for example through engagement with BIS on its Oil and Gas Industrial Strategy.

27. Arrangements for dealing with parliamentary questions and questions from members of parliament

27.1 Unless otherwise directed by the SoS, Sponsor or Sponsorship Team the OGA will reply directly to correspondence including FOI requests. Written Parliamentary Questions that concern day-to-day operational matters will be dealt with by the OGA, and assessed and approved by DECC.

28. Status and revision of the Framework Document

28.1 This Framework Document has been drawn up by DECC in consultation with the incoming Chief Executive and senior management team of the OGA as a working understanding of the respective organisations' roles and responsibilities in the discharge of the OGA's purposes and duties. Input has also been received from other Government departments, principally HM Treasury, Cabinet Office and the Shareholder Executive.

28.2 This Framework Document is intended to enable an effective and clearly defined and aligned OGA-SoS relationship, including by facilitating the necessary information and reporting flows and efficient dialogue between the OGA and the SoS.

28.3 The Framework Document shall be reviewed and updated periodically (at least once every three years). Certain events should trigger a review, such as a significant change in Government policy relating to Arm's Length Bodies or the OGA's business. However it is agreed that upon Transition the Framework Document for the OGA (GovCo) will be materially as described in Annex 1.

28.4 Subject to Clause 28.5, any amendment, update or replacement of any provision of this Framework Document shall be effected by the SoS giving notice in writing to the OGA Board.

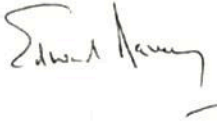
28.5 If the SoS proposes to amend, update or replace any element of the Framework Document it shall consult, and seek to reach agreement with, the OGA Board and HM Treasury before effecting the relevant amendment, update or replacement.

28.6 This Framework Document should be interpreted in light of applicable legislation and is without prejudice to the statutory and other rights and obligations of the SoS or the OGA.

29. REVIEW OF THE OGA

- 29.1 It is intended that, following Transition the Shareholder will conduct a review of the OGA (GovCo) as part of an evaluation of MER UK within three years of the date of publication of this Framework Document.

Signed by authority of the Secretary of State for Energy and Climate Change



.....
Dated: 1 April 2015

Signed by authority of the Oil and Gas Authority



.....
Dated: 1 April 2015

Annex 1: Transition

Cross-Government agreement has been obtained for the OGA to transition to the OGA (GovCo).

Transition will occur upon a date to be determined by the SoS after completion of the matters listed below:

1. Formal incorporation of the OGA (GovCo).
2. Transfer of assets and liabilities to the OGA (GovCo), to the extent appropriate.
3. Formalisation of relationships (including for the provision of services) between Government and the OGA (GovCo).
4. Transfer of relevant functions and OGA staff into the OGA (GovCo).
5. Formal approval of the governance documentation for the OGA (GovCo) being obtained based on the changes set out below.

The Framework Document for the OGA (GovCo) will be similar to this Framework Document for the OGA as an EA save where necessary to reflect formal differences between EAs and GovCos. These differences are, as far as can be currently ascertained, set out below (headings corresponding to the headings in the Framework Document for the OGA).

Foreword

Will be updated and signed by the current Secretary of State for DECC.

Definitions

The following definitions will be amended / deleted, as set out below:

- EA: It is expected that all substantive references to EA will fall away.
- GovCo: to the extent referred to will mean the OGA as a private company limited by shares, wholly owned by the SoS.
- OGA: amended to reflect the fact that references to the OGA in the Framework Document are to the GovCo.
- OGA Board: amended to reflect the fact that it is a Companies Act 2006 Board.
- OGA (GovCo) / OGA (GovCo) Board: it is expected that all references shall be deleted.
- Transition: if used will be amended to the past tense.
- Sponsor and Sponsorship Team: deleted and replaced by reference to a SoS Representative Director and Shareholder Team, as appropriate.

- SoS: amended to reflect the fact that this means the Secretary of State for DECC as the sole shareholder of the OGA (GovCo), or such person or persons as the Secretary of State for DECC may nominate to undertake actions or make decisions on his or her behalf, including the Shareholder Team.

Background

The background will reflect the fact that the OGA was initially established as an EA of DECC but transitioned to a GovCo on [insert date] reflecting the intention of both HMG and the Wood Review to create an independent entity separate from DECC.

No reference will be made to OGA (EA) elsewhere in the Framework Document for the OGA (GovCo). Note that this will also have consequences for the drafting of other sections of the Framework Document for the GovCo.

Purpose and Duties

Specific reference will be made to the fact that the OGA (GovCo) will adhere to the Infrastructure Act 2015 and the First Session Bill and will have statutory functions and powers. A comprehensive list of functions and powers will be annexed to the Framework Document for the OGA (GovCo).

The Framework Document for the OGA (GovCo) may include provision for the OGA (GovCo) to undertake commercial activities if deemed appropriate.

Operational parameters

Clause 5 will reflect the fact that OGA (GovCo) will operate in accordance with its Articles of Association.

Clause 5.1(D) will be deleted.

Operational Independence and SoS Rights and Consent Matters

The reference to "for an EA" in Clause 6.1 will be deleted.

Ministerial responsibility

Clause 7.4 will reflect the fact that functions have been delegated to the OGA (GovCo) and that the OGA (GovCo) will operate as a fully arms-length independent body subject only to restrictions placed upon the OGA (GovCo)'s operations by the Framework Document, Finance Letter, Delegations Letter, Accounting Officer Letter and Articles of Association, together with SoS Rights and Consent Matters and other applicable rights that the SoS has as sole shareholder of the OGA (GovCo).

Sponsor department's accountabilities and responsibilities

References to Sponsor / Sponsorship Team, will be removed from the Framework Document for the OGA (GovCo) in their entirety.

Reference to the appointment of a Sponsor in Clause 8.3 will be deleted. The paragraph will be replaced in an appropriate location with a paragraph referring to the Shareholder Team.

Clauses 8.4, 8.5, 8.6 and 8.7 will be amended to reflect the responsibilities of the Shareholder Team which are expected to be broadly similar to those of the Sponsorship Team.

Responsibilities of Chief Executive

The Chief Executive will be formally responsible and accountable to the Chair of the OGA (GovCo) Board rather than to the SoS in relation to OGA (GovCo) matters that fall outside of the AO remit. The Chief Executive shall therefore have collective responsibility for the OGA (GovCo) with the rest of the OGA (GovCo) Board.

Clause 9.2 will be deleted.

Clause 9.4(C) will be deleted and replaced with a clause reflecting the fact that the Chief Executive will be an employee of the OGA (GovCo).

Clause 9.4(D) will be amended to reflect the fact that performance management of the Chief Executive will be carried out by the Chair and will not be ratified by the Sponsor.

Clause 9.4(E), reference to the word "Agency" will be deleted.

Clause 9.5 shall be amended to reflect the fact that the Chief Executive has collective responsibility for the OGA (GovCo) with the rest of the OGA (GovCo) Board.

Chair of the Board

Reference in Clause 10.1(F) to the "Sponsor" shall be replaced with "SoS" or "Shareholder Team".

OGA Board

Directors will have fiduciary duties and collective responsibility for the OGA (GovCo).

Clause 11.1 shall be amended to both reflect the principle that the OGA (GovCo) Board will have collective responsibility, and so as to remove references to Transition.

Clause 11.2 shall be amended to require the OGA (GovCo) to comply with The UK Corporate Governance Code, or explain non-compliance and, so far as is applicable, to comply with the spirit and principles of the Corporate Governance in Central Government Departments Code of Good Practice. (A footnote will be included to state that the SoS recognises that areas of this code are not appropriate for a GovCo and expects the OGA (GovCo) to exercise judgement.)

The last two sentences in Clause 11.3(F) shall be deleted and a new sentence included to stipulate that NED's will be subject to re-election every 3 years.

Reference in Clause 11.6(B) to the Sponsor shall be replaced with "SoS Representative Director".

A new clause will be introduced to set out what processes have been developed to deal with sanctions.

Sanctions

It is intended that the First Session Bill will empower the OGA (GovCo) to impose sanctions for breaches of MER UK. It is expected that a Sub-Committee will be established to provide a further internal check and balance in this process. Reference to this Sub-Committee may be placed in Clause 11.6(A).

Staff

Post-Transition, staff will be directly employed by the OGA (GovCo). Staff will therefore cease to be Civil Servants.

If the OGA has not, prior to Transition, taken full pay delegation, Clause 14 will be amended to reflect that post-Transition the OGA (GovCo) will take full pay delegation, and will therefore be responsible for setting OGA (GovCo) pay and reward arrangements, and terms and conditions.

Operational and financial reporting

Reference in Part D to the Sponsor shall be replaced with the "SoS", "SoS Representative Director" and/or "Shareholder Team" as appropriate.

Post Transition there may be contractual restrictions on the sharing of information which may need to be considered in relation to the provision of information envisaged at Clause 15.1 (C) and (E). This will need to be reflected in the drafting of these Clauses.

Management and financial responsibilities

Reference in Part E to the Sponsor shall be replaced with "SoS", "SoS Representative Director" and/or "Shareholder Team" as appropriate.

Clause 17.1 shall be deleted and replaced with:

"The OGA will be included as a net Subhead in DECC's Parliamentary Supply Estimate, subject to a netting-off agreement with HM Treasury".

The last sentence of Clause 17.3 shall be deleted.

Clause 17.4 shall be deleted and replaced with:

"The OGA will be provided with a working capital facility and Grants in Aid by DECC to finance agreed capital expenditure, the terms of which are set out in a separate letter between DECC and the OGA. "

Business planning

Reference in Part F to the Sponsor shall be replaced with the "SoS", "SoS Representative Director" and/or "Shareholder Team" as appropriate.

Reference in Clause 20.1 to an initial 1 year business plan may no longer be relevant if a rolling 3 year business plan has been agreed.

Article 22.1-3 shall be deleted and replaced with:

"22.1 The OGA shall prepare accounts in accordance with statutory requirements, applying the requirements of the Companies Act 2006, IFRS and FReM, as appropriate. The OGA's annual report and accounts will be made available on the OGA's 'gov.uk' website."

"22.2 The OGA shall ensure that sufficient and timely information is provided to DECC in order for DECC to prepare its consolidated annual report and accounts in a manner compliant with FReM."

Post Transition there may be contractual restrictions on the sharing of information which may need to be considered in relation to the provision of information envisaged at currently numbered Clause 22.4. This will need to be reflected in the drafting of this Clause.

Review of the OGA

The SoS will conduct a review of the OGA (GovCo), as part of an evaluation of MER UK within three years of the date of the launch of the OGA as an EA (April 2015).

Continuance of EA

This heading will refer to the continuance of the 'OGA' and will provide for the OGA (GovCo) to be dissolved upon completion of the OGA (GovCo) purpose or termination by the SoS.

Reference to Transition in Clause 23 will be removed.

Status and revision of the Framework Document

The last sentence of Clause 28.3 will be deleted.

Annexes

Annex 2 shall be updated to reflect statutory functions and obligations assumed by the OGA (GovCo) after passage of the necessary transfer orders.

Annex 3 may be amended to the extent deemed necessary or appropriate.

General

Changes to ensure full effect is given to this annex shall be incorporated into the Framework Document for the OGA (GovCo).

Annex 2 Functions

Functions

The LED functions listed below, and associated posts, will transfer to the OGA in their entirety upon the OGA's establishment as an Executive Agency:

Licensing

- Issue and amend onshore and offshore petroleum licences.

Licensing Strategy & Policy

- Manage (subject to the necessary consultation with DECC) policy issues surrounding licensing (exploration and development) and help to implement the processes of change.
- Introduce new licences and manage new developments.
- As required, provide a briefing function to DECC for information requests regarding the UK's offshore Oil and Gas sector.

Exploration

- Manage the technical assessment of exploration, development and production licenses.
- Conduct licence rounds for all open acreage, both offshore and onshore.
- Operate the Fallow Acreage Review.
- Fulfil a data collection and release role for seismic and well data, along with collating and releasing relinquishment reports.
- Produce maps to support the website, and ensure that data is available both for OGA, Government and Industry use.

Decommissioning

- Ensure relevant Industry members plan and carry out decommissioning in the most reasonably cost efficient manner, without prejudice to other obligations related, but not limited to, environmental and safety concerns.

Field/Area strategies

- Review the validity of development plans submitted by oil/gas companies, specifically analysis of the company finances and ensuring companies adherence to relevant regulations such as environmental controls. Once satisfied, provide consents to companies to proceed with plans.
- Conduct the 'Stewardship Process' to ensure that companies are investing in the area in a way which maximises output from each field.
- Scrutinise decommissioning of other company activities to ensure they are compliant with the principles of MER UK.

Infrastructure

- Resolve upstream commercial disputes relating to infrastructure (for example: pipelines, terminals, and platforms).

Resilience

- When required, provide an emergency response to incidents which so require and liaise with HMG when doing so.
- Conduct the risk assessments required by Cabinet Office and in doing so ensure that the sector is as far as possible mitigating any risks before they develop into an emergency, for example helicopter restrictions, industrial action, or pandemic flu.

Consents

- Prepare legal documentation relating to new oil and gas field development proposals, offshore pipelines and flaring/venting of gas on the United Kingdom Continental Shelf.
- Regulate onshore production, flare and vent consents, and onshore terminal flare and vent consents.

Metering

- Ensure that all petroleum won and saved is measured in accordance with good oilfield practice.
- Perform routine metering inspections on offshore and onshore installations to ensure Measurement Guidelines are being followed.

Supply Chain

- Work across the entire oil and gas supply chain to promote growth in all parts, thereby maximising overall value.

Commercial

- Manage existing commercial relationships within the UK's Oil and Gas Industry.
- Identify, develop and implement opportunities to facilitate MER UK by supervising new contract development and the re-negotiation of existing commercial arrangements.
- Advise policy leads and technical staff on the issues and factors that companies consider in strategic and investment-related decision making.
- Temporarily manage the Rhum North Sea gas field on behalf of the Iranian Oil Company.

IT

- Manage the UK Energy Portal and associated applications, providing service support and access to DECC as necessary and separately agreed.

The OGA's statutory functions

The following are the statutory functions that the OGA will exercise on behalf of the Secretary of State:

- The Petroleum Act 1998: sections 3 – 5B, sections 9A, 9B, 9D, 9E, 9F, 9G, sections 14 – 21.

- The Energy Act 2008: Chapter 2, sections 4 – 15; and Chapter 3, sections 17 – 34.
- The Energy Act 2011: sections 82 – 91.
- The Oil Taxation Act 1975: paragraph 1(1) and 4 of Schedule 1.
- Functions granted under The Hydrocarbons (Temporary Management Scheme) Regulations 2013.
- Functions under a petroleum licence granted under section 3 of the Petroleum Act 1934 or section 2 of the Petroleum Act 1998.
- Functions under a licence granted under section 4 of the Energy Act 2008 (importation and storage of combustible gas).
- Functions under a licence granted under section 18 of the Energy Act 2008 (storage of carbon dioxide).

Annex 3: SoS Rights and Consent Matters

1. Whilst the OGA has day-to-day operational independence, the OGA must make certain decisions in accordance with this Annex.
2. The following matters require the express prior written consent of the SoS, and should be brought specifically to the Sponsor's attention in the first instance:
 - I. **Required Government controls** (in relation to commitments with financial or policy impacts for DECC):
 - a. any action which is not contemplated or permitted by this Framework Document or which is contrary to the Guiding Principle;
 - b. the setting of or alteration of the strategic direction of the OGA;
 - c. any action which will give rise to obligations or liabilities (including contingent liabilities) which are not in the normal course of the OGA's business or which are not expected to be affordable in terms of expected levy income (present or future);
 - d. any action which, notwithstanding the levy arrangements, will or is likely to give rise to an additional funding requirement from DECC (including loans for capital expenditure) or other additional financial support being required from, or liabilities or obligations being assumed by DECC (including in the form of an indemnity);
 - e. any action which is contrary to policy set by the SoS; and
 - f. any action which may jeopardise the OGA's ability to deliver value for money for the Exchequer;
 - II. **Usual business controls:**
 - a. the approval of financial assistance which provides for the OGA to incur operating costs that are greater than the levy, fees and charges, and DECC income (after allowing for any agreed grant), expected to be received in the same financial year;
 - b. the approval of or material deviation from (or any revised version of) the Business Plan;
 - c. the approval of any board appointments and related remuneration arrangements in accordance with the Framework Document;
 - d. the approval of any change to the locations of the OGA;
 - e. the approval of any change to the name of the OGA;

- f. the approval of the borrowing of funds from any organisation other than DECC or HM Treasury;
- g. the approval of investments not through deposits in interest bearing accounts provided through the Government Banking Service;
- h. the approval of any gifts to third parties; and
- i. the approval of the appointment of any auditors as described in Clause 22.5 (External Audit);

III. Bespoke controls for the OGA

- a. the approval of any decision which may be deemed contrary to MER UK, as determined by the SoS; and
 - b. the approval of any decision which may be deemed contrary to greater UK interests as a whole, as determined by the SoS.
3. The OGA shall give the SoS such access to persons and information as the SoS determines is necessary to monitor performance of the OGA and shall respond and act appropriately to:
- I. advice from the SoS regarding DECC objectives and relevant Government and departmental policy or plans;
 - II. recommendations to improve the governance and risk profile of the OGA;
4. Following the establishment of the OGA (GovCo), the SoS will retain the right to issue a direction in certain circumstances where the UK national interest or national security is expected to be materially impacted by OGA business. Despite this, it is agreed that the OGA will retain operational freedoms necessary to discharge its obligations and therefore it is expected that such directions will only be given *in extremis*.

