

Energy Bill Fact Sheet – The OGA and Wood Review Implementation

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Overview

The measures in the Energy Bill (clauses 1-76) are a key stage of implementation of Sir Ian Wood's independent review of UK offshore oil and gas recovery. The Bill will formally establish the Oil and Gas Authority (OGA) as a Government company, charged with asset stewardship and regulation of domestic oil and gas recovery, with a focus upon maximising the economic recovery of the UK's remaining reserves.

Policy Rationale

The previous administration committed to fully implement Sir Ian Wood's recommendations (which, upon publication in 2014, received cross party support). This commitment was reflected in the Government's 2015 manifesto which referred to continuing support for development of North Sea oil and gas. The key recommendations arising from the Wood Review were:

- Government and industry should develop and commit to a new strategy for Maximising Economic Recovery from the UK Continental Shelf (MER UK);
- Stewardship of the UKCS should move to a new arm's length body that is better resourced, and funded by industry;
- Additional powers should be secured for the body to implement MER UK; and
- The new body should work with industry to develop and implement new industry strategies, such as on exploration and decommissioning cost reduction.

Provisions in the Energy Bill build on the establishment of the OGA as an Executive Agency of DECC on 1 April 2015, and powers taken in the Infrastructure Act 2015 to establish the OGA's 'principal objective' of MER UK and to raise a levy from industry to fund the OGA. The OGA's principal objective will be implemented through the MER UK Strategy, which defines obligations acting upon both the regulator and industry and which was issued in draft for consultation in November 2015.

Provisions in the Energy Bill

Provisions relating to the OGA and implementing Wood Review recommendations are as follows:

- Formally establishing the OGA as an independent regulator which would take the form of a Government Company, charged with (amongst other things) the asset stewardship and regulation of domestic oil and gas recovery; and setting out matters to which it must have regard when exercising its functions.
- Transferring the Secretary of State's existing regulatory powers in respect of the licensing of offshore oil and gas - as well as the licensing of onshore oil and gas in England - to the OGA (in relation to onshore oil and gas in Scotland and Wales, the Bill will respect the changing devolution position).
- Transferring the SoS' regulatory functions in relation to carbon capture and storage and gas storage and unloading to the OGA (overarching policy on CCS will remain with DECC).
- Making provision for the transfer of staff, property rights and liabilities to the OGA.
- Reserving a limited power for the SoS to direct the OGA on action to take in circumstances involving national security and/or the public interest.
- Giving the OGA additional powers, including access to company meetings; data acquisition, retention and transfer; dispute resolution; and sanctions.
- Creating a formal, consultative role for the OGA on the abandonment of offshore installations and infrastructure (decommissioning), with a view to minimising costs, addressing timings of such activities and considering the viable re-use of infrastructure where appropriate; and
- Making changes to the scope of fees and charges, so as to target the costs of the OGA more closely to those who directly benefit from its services and functions, and amending the OGA's levy power to ensure it can cover its additional roles.

An Opposition amendment in the House of Lords amended the OGA's principal objective (already defined under the Petroleum Act 1998, through the Infrastructure Act 2015) to include obligations on CCS and decommissioning. Ministers have stated that they will seek to overturn this amendment in the House of Commons.