Decommissioning - An industry perspective

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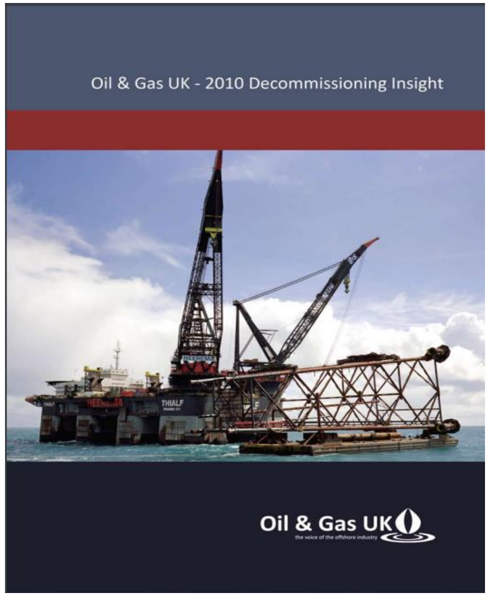
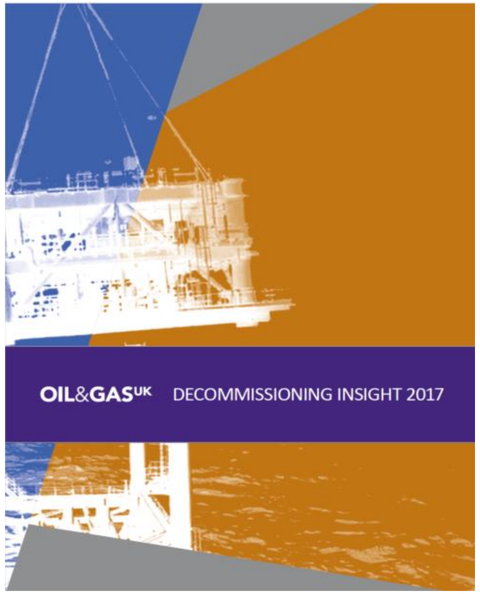
Looking back to 2010



UK remit

25 pages

- £0.5 bln spend in 2011
- 38 fields approved for decommissioning by 2011
- £10 bln forecast spend to 2020
- Total spend ~£30 bln



North Sea coverage

46 pages

- £1.7 bln spend in 2017
- 63 fields approved for decommissioning by 2017
- £17 bln forecast spend to 2025
- Total spend ~£60 bln

*All values are in 2016 money

How things seemed

The big issues of the day

- Fiscal uncertainty
- Commercial uncertainty
- Regulatory uncertainty
- Business opportunities
- Timing
- Immature market

Managing the Risks

Fiscal Uncertainty

- Decommissioning Relief Deed
  - Tax certainty
  - Extending field life
- Tax Rate reduction
  - UKCS fiscally competitive
  - Extending field life
- Transferable Tax History
  - Improved asset trading
  - Extending field life

Commercial Uncertainty

- Decommissioning security agreement
  - Protects all parties to deal
  - Updated in 2013/4
  - Fresh updated considered
- DRD and DSA pave way for new entrants

Creating the Opportunities

Market Insight

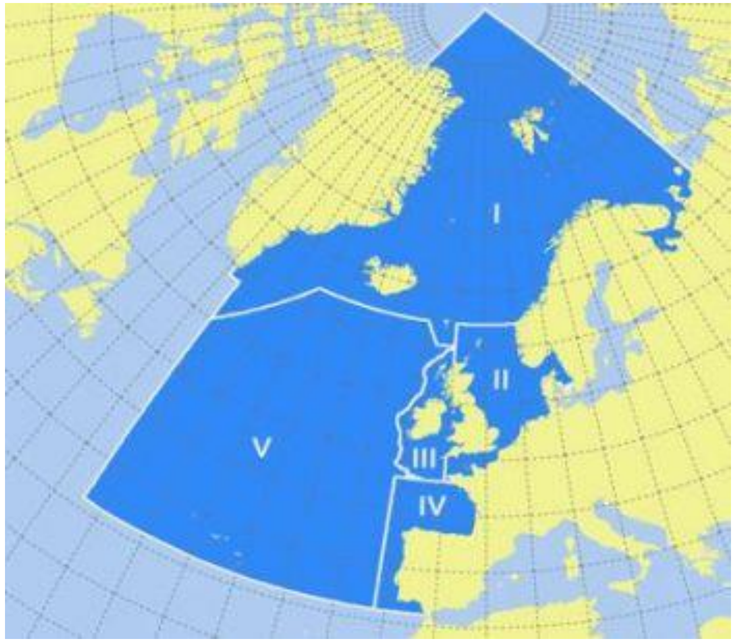
- A well informed market is an efficient market
- Decommissioning Insight will evolve to meet market needs
- Learn from others
- OGA has an important role to play

New Business Models

- Slow start but rapidly developing market
- Innovation driving change
- Common approaches
- Oil & Gas UK abandonment guidelines
- Fiscal and regulatory issues may have slowed development

OSPAR and the Offshore Industries Committee (OIC)

OSPAR is the mechanism by which fifteen Governments[1] of the western coasts and catchments of Europe, together with the European Community, cooperate to protect the marine environment of the North-East Atlantic.



OSPAR Jurisdiction

- Five yearly review by OIC - next due March 2018
- Oil & Gas UK final submission to OPRED - Dec 2017
  - Steel Jacket Decommissioning Report 2017 (Nov 17)
  - CGBS Report update 2017 (Nov 17) with IOGP
  - Independent review of marine science around offshore structures
- Supported by ongoing dialogue with OPRED
- Plus close liaison with others North Sea users

Note 1: OSPAR Contracting Parties: Belgium, Denmark, Finland, France, Germany, Iceland, Ireland, Luxembourg, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and the EU

INSITE Phase 1

Science Day - Royal Society, 31 Oct 2017

Effect of structures on the ecosystem:

- Composition and function of species on and around man-made structures and the factors that influence *abundance and diversity of key species*
- Influence of man-made structure on the distribution of seals, cetaceans and sea-birds
- How man-made structures have *influenced planktonic communities*

Connectivity or *reef-effect* of man-made substrate:

- Using sophisticated oceanographic models to predict the effect of man-made structures (oil and gas, renewables and wrecks) on the North Sea ecosystem
- Predict the ecological consequences of altering the network of man-made structures, i.e. due to decommissioning

Project summaries available on http://www.insitenorthsea.org

INSITE Phase 2 – planned for 2018

Decommissioning Task Force (DTF)

- Effective “Round Table” OGA, OPRED, Oil & Gas UK, Industry

- 2017 focus
  – Regulation in Practice
  – Decommissioning Cost Modelling
  – Cost target performance tracking
  – Delivery capability – passed back to industry for market to address

- Items for consideration include
  – Legacy liabilities
  – International experience / trends

Decommissioning capability will become essential part of the UK’s oil and gas brand