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# Decommissioning in 2020

## Decom Offshore 2020

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## OGA Strategy



Consultation on proposals to revise the MER UK Strategy

Date of publication: 6 May 2020  
Closing date: 29 July 2020

### MER UK/OGA Strategy

- Strategy re-fresh consultation 6 May – 29 July.
- OGA Considering responses

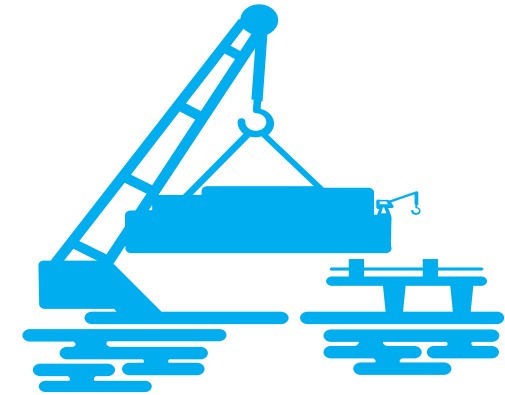
## OGA response to Covid and commodity price



### Supporting the UK Oil and Gas Industry

- Responsible regulator
- Supporting Recovery

## Decommissioning Update



### Decommissioning

- 2020 Cost Report
- Decommissioning Strategy
- Decom Recovery Proposal

## CENTRAL OBLIGATION

- Focus on net zero
- Reduce greenhouse gas emissions
- Support carbon capture and storage projects

## SUPPORTING OBLIGATIONS

- Development – new reference to net zero
- Asset Stewardship
  - metering and measuring
  - Operate and maintain infrastructure to achieve optimal potential future re-use or re-purpose
- Technology – existing or emerging technologies are developed and deployed to optimum effect
- Decommissioning – demonstrate that alternative uses have been considered
- Carbon capture and storage
  - Collaboration between relevant persons and carbon capture and storage projects
  - Negotiating access to infrastructure
  - Access to infrastructure

# Supporting the supply chain post COVID



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## Supply Chain & Exports Taskforce

### Wells P&A project



- Proposed £100m loan fund
- Stimulate activity
- Business case submitted

### Global Underwater Hub



- New national network
- Support subsea sector transition
- Funding under discussion

### Accelerating exports & diversification



- Increase project visibility/access
- 146 projects mapped, value £874bn
- 56 webinars held, 5639 attendees

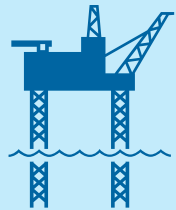
### Strategic future for UK supply chain



- North Sea Transition Deal
- Consortia & local content proposals
- Autumn submission to govt

## Acting as a responsible regulator

### Suspended wells



- Stimulate activity
- P&A: 190 open water wells
- Robust approach

### Brownfield/small scale projects



- No stone unturned
- Multiple pieces of work
- 20 operators contacted

### Licence management



- Licence extension scrutiny
- Avoid licence activity deferral

### CNS electrification workshop



- Energy integration
- Bringing parties together
- Ops, wind and power sector

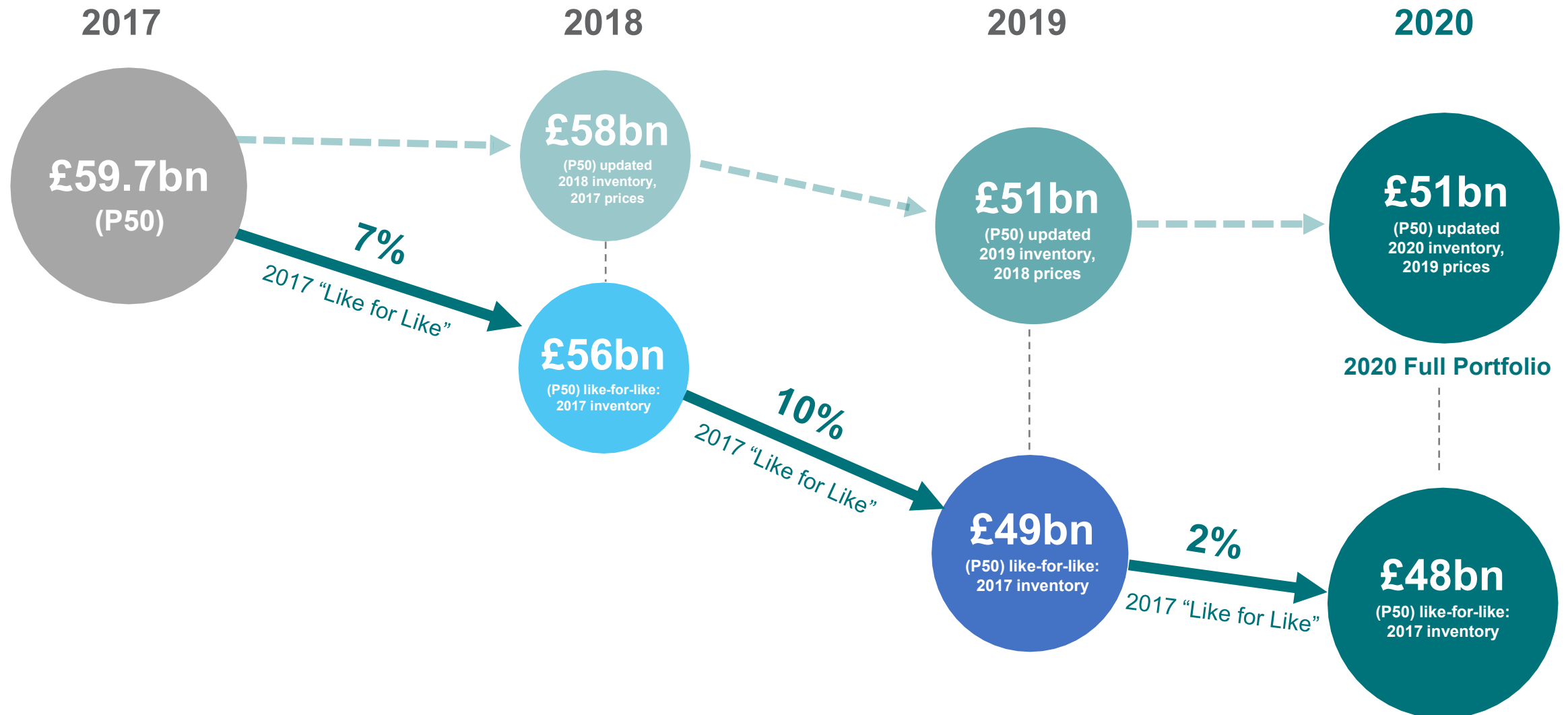
### Dispute facilitation



- Resolutions have avoided early CoP in many cases

# 2020 Decommissioning Cost Report

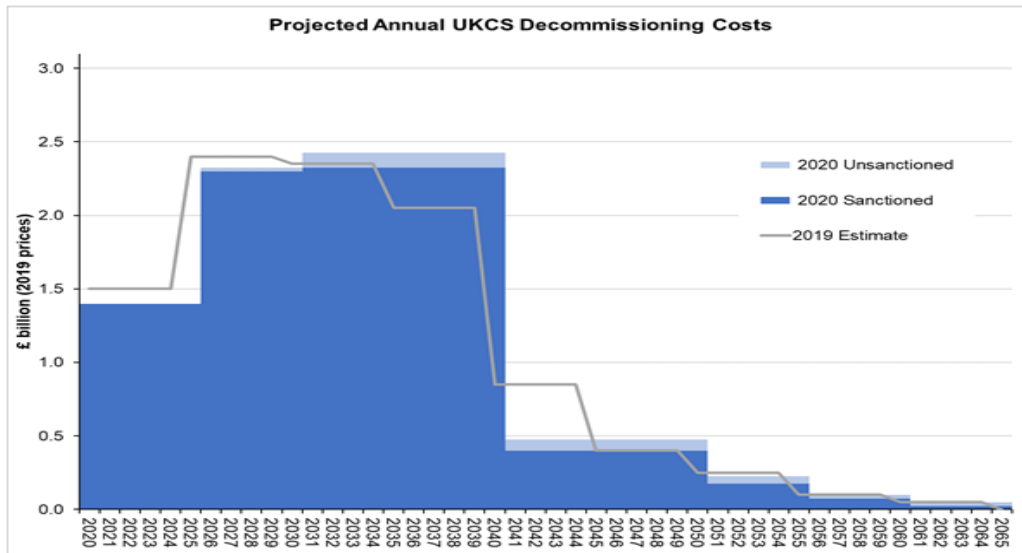
19% cost reduction achieved to date  
*of which 2% was in 2019*



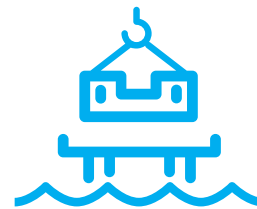
# Context: COVID and low commodity price



**Decom funds:** Significant drop in actual decommissioning spend now expected in 20/21 vs plan



- Significant drop in the level of activity in 20/21.
- OGUK survey suggests realignment and improvement by 2022.
- Exacerbating issues for a supply chain that was already strained



- **Accelerated CoP:** Sustained lower commodity prices is impacting on CoP dates.
- **Decom Cost Risk:** Minimising post CoP opex requires planning pre-CoP

### OBJECTIVES

**Keep drilling supply chain working in the UK**

**Increases value for money for the taxpayer as well as for industry.**

**Contribute to Net Zero** by cost efficient management of hydrocarbon energy legacy

### OPPORTUNITIES

**Subsea Wells**

Existing pool of suspended development and open water wells

**Platform Wells**

Minimising post CoP opex requires platform wells to be decommissioned swiftly

### RATIONALE

| Year  | Year Start Estimate Total Expenditure (EMM) | Current Estimate based on % Change (EMM) | Difference (EMM) |
|-------|---|--|------------------|
| 2020  | ~1400                                       | ~1000                                    | ~-400 (-27%)     |
| 2021  | ~1300                                       | ~1200                                    | ~-100 (-8%)      |
| 2022  | ~1200                                       | ~1350                                    | ~+150 (+12%)     |
| Total | ~3955                                       | ~3589                                    | ~-366 (-10%)     |

Source: OGUK, OGA

| Year  | Year start estimate (£MM) | Current Estimate (£MM) | Difference (£MM) |
|-------|---------------------------|------------------------|------------------|
| 2020  | 1469                      | 1080                   | -389             |
| 2021  | 1306                      | 1197                   | -109             |
| 2022  | 1179                      | 1318                   | +139             |
| TOTAL | 3955                      | 3589                   | -366             |

Source: OGUK, OGA

| WBS Element              | 2020 | 2021 | 2022  |
|--------------------------|------|------|-------|
| 3. Wells Decommissioning | -35% | -23% | -13%  |
| 6 & 7. Removals          | -25% | 0    | +125% |
| 9. Subsea                | -65% | 31%  | +125% |

**35% of decommissioning deferred (2020 & 2021).**

**Wells decommissioning disproportionately impacted.**

# Decommissioning: Strategic Direction



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## Decommissioning Costs

Achieve >35% cost reduction by  
2022



## Delivery

Develop a supply chain with export  
capability



## Culture

Value and efficiency creation



## Contribute to Net Zero

Integrate net zero into late-life and  
decommissioning





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Thank you

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