A View of the Industry's Decom Strategy

Colette Cohen

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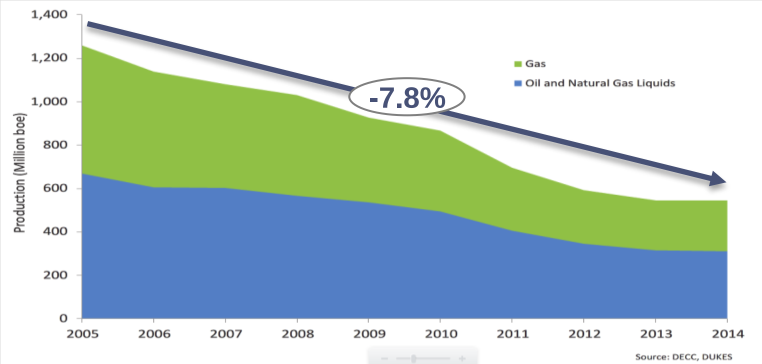
Today's Reality

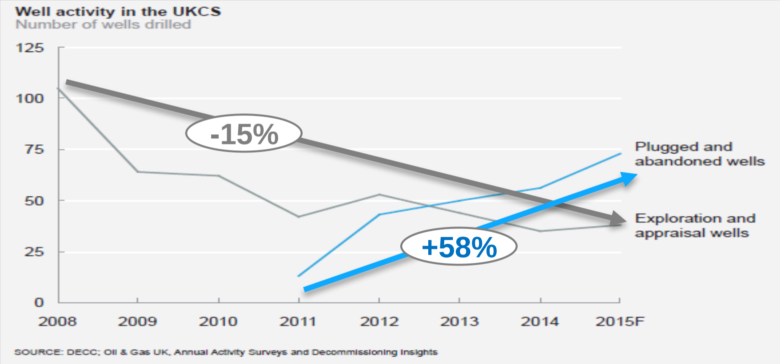
Plateau is behind us … what's ahead?

UKCS Production



- Year on year decline since 2000
- 2011 to 2013 poorest delivery ever
- Trend stopped in 2014
- A small increase in the 2015F

UKCS Decommissioning Activity



- Steep increase in P&A activity since 2012
- Continuous decline in E&A wells since 2008

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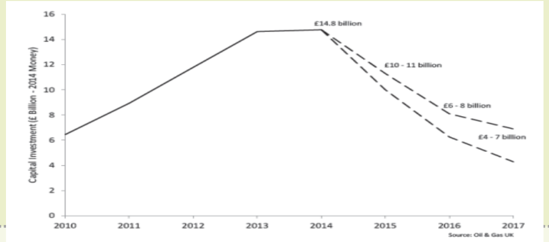
Decommissioning

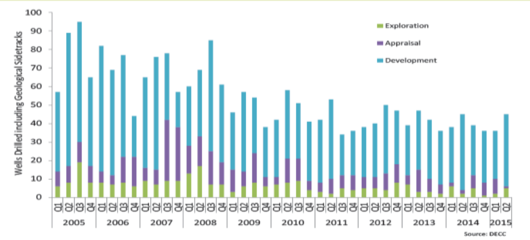
The UKCS' new 'mega project'?

CAPEX



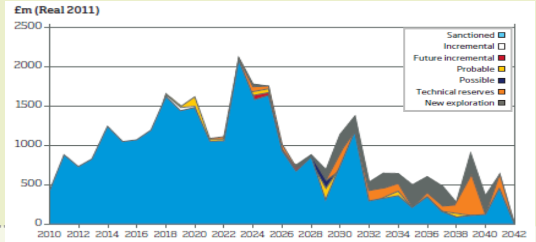
- CAPEX is expected to decrease by around 5bn per year to around 7bn in 2017

Drilling Activity



- E&A drilling rate halved compared to a decade ago
- Development drilling declined by around 30%

Decom Cost



- Year on year increase in Decom expenditure
- Total expenditure ~32bn GBP
- Peaks in 2017, 2020 and 2023

➢ High costs accelerate CoP in the North Sea

➢ The scale of decom activities is steadily increasing – is decom becoming the new 'mega-project'?

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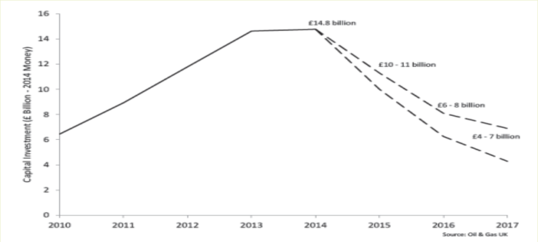
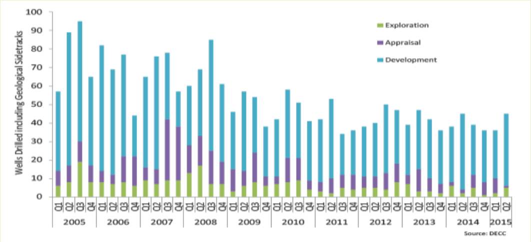
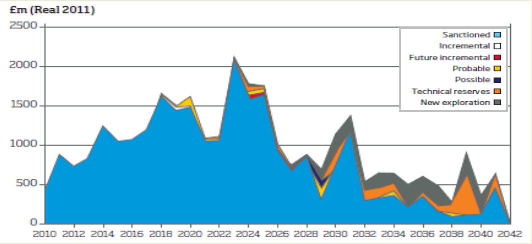
Decommissioning

The UKCS' new 'mega project'?

CAPEX	Drilling Activity	Decom Cost
		

CAPEX

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Drilling Activity

- E&A drilling rate halved compared to a decade ago
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Decom Cost

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- Total expenditure ~32bn GBP
- Peaks in 2017, 2020 and 2023

Are we ready?

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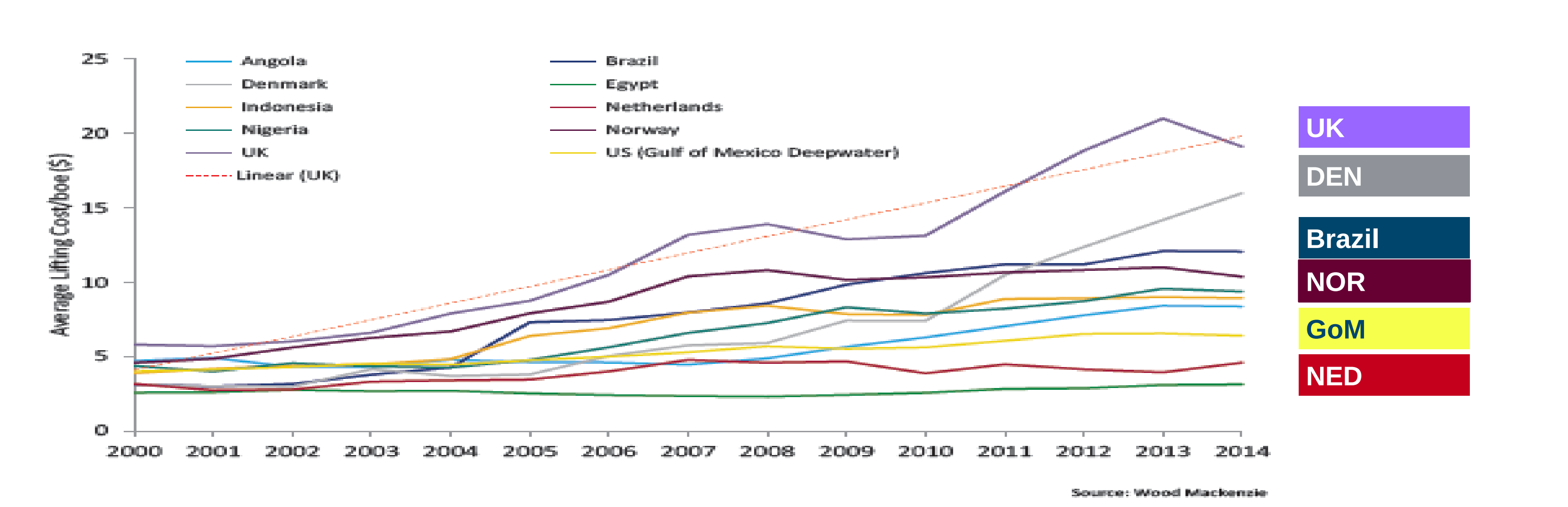
The North Sea is highest for lifting cost

We can't also become the highest cost decom basin

Lifting cost by basin



What can the UKCS learn & transfer to decommissioning?

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Others have faced similar challenges

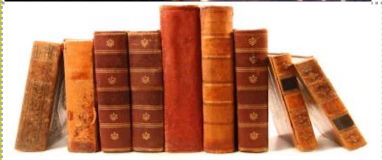
What can we learn from them?

Industries

Automotive

Aerospace

Publishing



Transport

Characteristics

- Large-scale
- Capital intense
- Complex planning, execution & operations
- Importance of safety

Challenges

- Severe economic downturns
- Relocation to other regions
- Falling productivity & efficiency

Response

- A single, compelling vision
- Accepting change
- Clear split of core and non-core activities
- Focus on ops excellence
- Clear accountabilities
- Continuous search for improvement & innovation
- Focus on select number of performance metrics

Industry and Government are engaging

Key Industry Bodies

Oil & Gas Authority

Oil & Gas UK
the voice of the offshore industry

NERC
SCIENCE OF THE ENVIRONMENT

DECOM North Sea

HM Treasury

technology leadership board

Focus Areas

- Fiscal
- Big Data
- Cost
- Technical research
- Basin Plans
- Efficiency
- Regional alignment

The Vision : A Cost Effective, Safe Decom Industry

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A Cost Effective, Safe Decom Industry

Enablers

Integrated Plans

Supportive Tax Regime

Effective Business model

Strategy

Effective Late Life Mgt

Behaviours

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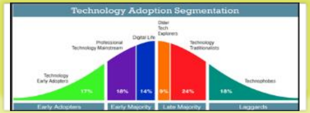
A Cost Effective, Safe Decom Industry

Strategic Building Blocks

Scope Management

Knowledge Sharing



Technology Adoption

Execution

Stakeholder Mgt

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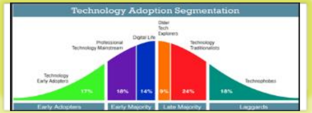
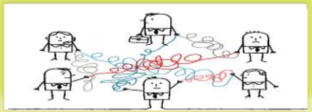
Strategic Options

	Scope Management	One by One	Divide & conquer		One for All
	Knowledge Sharing	None	Selective & bi-lateral	Selective & facilitated	Full & facilitated
	Technology Adoption	Cautious	Calculated		Bold
	Execution	Encourage collaboration	Facilitate collaboration	Build joint enablers	Agree joint model
	Stakeholder Mgt	One by One	Divide & conquer		One for All

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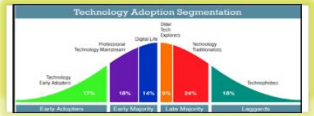
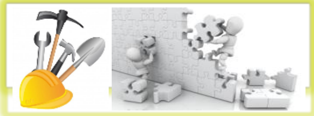
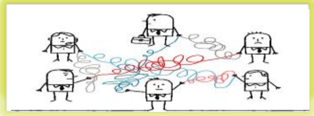
A Cost Effective, Safe Decom Industry

A joint vision for the UKCS?

	Scope Management	One for All
	Knowledge Sharing	Selective & facilitated
	Technology Adoption	Calculated / Bold
	Execution	Build joint enablers
	Stakeholder Mgt	One for All

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A Cost Effective, Safe Decom Industry

Where are we?

Integrated Plans

Supportive Tax Regime

Effective Business model

Strategy

Effective Late Life Mgt

Behaviours

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Summary

Decom is no longer in the future – It's our reality

Opportunity	Threat
£35-70bn industry	£70bn early CoP of existing assets
New Jobs / Enabling technology	Execution Reputation
Late Life Extension	Investors Appetite

An Aligned Vision of a Cost Effective Safe Decommissioning Industry Is Required to Shape our Future and Avoid A High Cost Mega Project

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