

Investment in a mature basin

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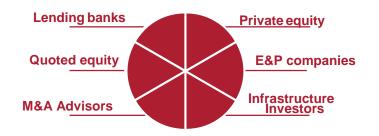
Head of Investor Finance

Creating the right conditions





OGA are promoting the UKCS to attract new and diverse sources of long term capital funding, and protecting existing investment





OGA are working with investors to identify barriers to investment and with government to mitigate them

Mitigating barriers to investment



Assets in right hands

Licensees not investing or realising potential Access to infrastructure

Third parties cannot gain access or access on reasonable terms Price assumption misalignment

Disconnect between buyer and seller's assumptions and evaluation Lack of capital

nal models ilable JOA structure misalignment

Lack of sole risk provisions, pre-emption rights, and financial capability Divestment packages

Do not necessarily ensure that assets are in the right hands Decom

Cost uncertainty and lack of Decommissioning Security Agreements (DSAs) cause deal delay UKCS fiscal regime

Tax system may be deterringsales of assets close to decommissioning

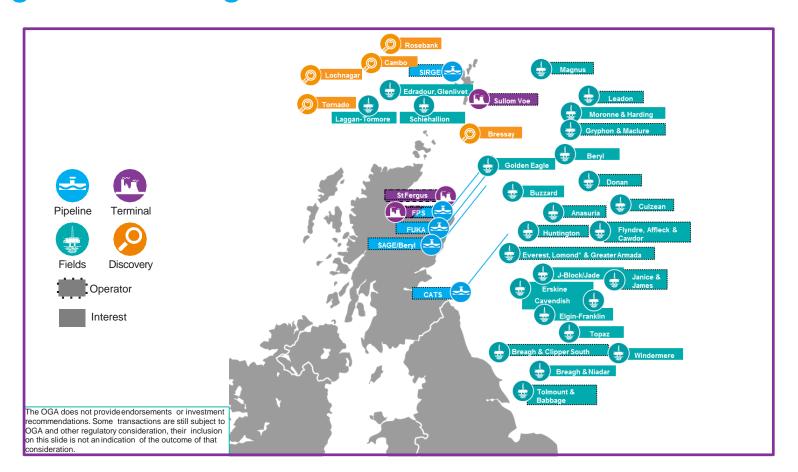
The OGA flexible and enforcing MER UK Strategy Infrastructure Code of Practice underpinned by powers to impose terms The OGA correcting by testing assumptions independently

The OGA working with investment community to promote opportunities and new models The OGA assisting where required; standardised agreements and processes will help

The OGA clarifying area hubs or strategy synergies to help optimise asset packages The OGA to issue cost norms and benchmarking; standardised DSAs needed HMT has published a paper on how tax can support transfers of late-life assets

"Right assets, right hands"





Commercial solutions for decom



Example 1-BP/ EnQuest Retain liability for the cost of decommissioning the existing wells and infrastructure.

Example 2-Shell and Esso/ AOC Payment of a predetermined % of asset profits into a "decommissioning trust fund".

Example 3-Shell/ Chrysaor

Retain a fixed (\$1bn) liability for the cost of decommissioning.

Example 4-BP/ Serica

Retain a fixed cost liability for the estimated cost of decommissioning at the point of sale.

Example 5-Maersk/ Total Total to take over all decommissioning obligations estimated at \$2.9bn.

Example 6-Engie/ Neptune Neptune to take on an estimated €1.1bn of decommissioning liability.

Examples are taken from public sources

Decommissioning insurance



Working with industry to support the creation of new and innovative commercial solutions to market problems.

Section 29 Insurance

- Credit default swaps
- New DSA structures
- Can an insurance policy be used to provide HMG with decom security?

Post Decom Liability

- Well control insurance
- Can existing insurance products be adapted to meet market need?

Decom Cost Over-run

- Is a
 Decommissioning
 All Risk (DAR)
 Policy possible?
- What needs to happen to improve decom cost security?

A Financial Guarantee for Decom costs

Post Decom Liability Decom All Risk Policies

Focus on:

- Product development
- Suitability for policy holders
- Legal considerations

Workshop 1 (19 September 2017)

Workshop 2 (Deep Dive, December 2017)



Thank you