



Oil & Gas
Authority

Stewardship Review

Guidance

March 2017

1. Purpose

This guidance has been developed to aid industry understanding of the OGA's Tiered Stewardship Review process, which is a key element of the Asset Stewardship Strategy.

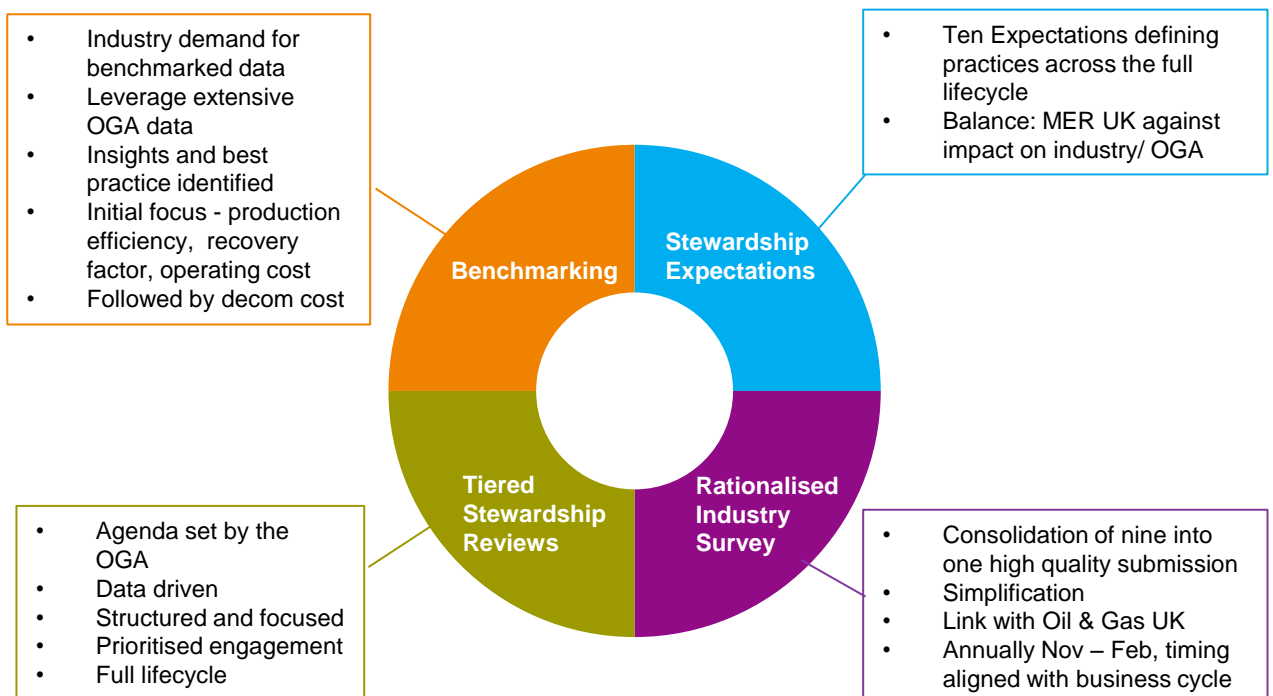
2. Context

The Maximising Economic Recovery (MER) UK Strategy underpins the OGA remit and became a legal obligation on licensees in March 2016. It describes how MER should operate in practice, setting out a legally binding obligation on licensees and others to take the steps necessary to secure the maximum value of economically recoverable hydrocarbons.

The Asset Stewardship Strategy, which directly supports MER UK, was developed with industry and issued in October 2016. It has four complementary strategic elements:

- Stewardship Expectations
- Rationalised Industry Data Survey
- Benchmarking
- Tiered Stewardship Reviews

Figure 1: Asset Stewardship Strategy elements



Effective stewardship means:

- Asset owners consistently do the right things to identify and then exploit opportunities
- Assets are in the hands of those with the collective will, behaviours and capabilities to achieve this

The OGA Tiered Stewardship Reviews are a performance management process for measuring, monitoring and reviewing effective stewardship. This document explains the Tiered Stewardship Review Process.

3. What is a Stewardship Review?

In the past, Stewardship Reviews of development plans, producing fields and infrastructure were conducted with operators and licensees but frequently the operator led the agenda and the focus was on operational phases of the lifecycle. Such reviews were not supported by fit-for-purpose and graduated levels of powers to ensure that key actions were executed by operators and licensees in the interest of maximising economic recovery (Figure 2).

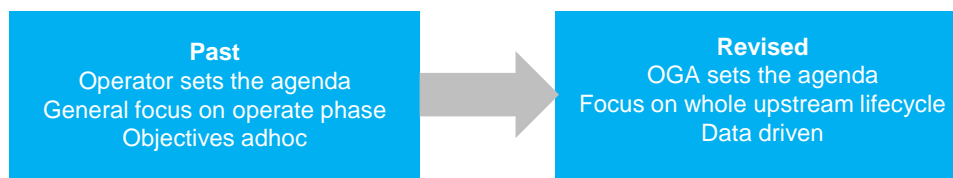


Figure 2: Stewardship Reviews Past and Revised

The revised Stewardship Review process is an annual cycle, based on the following principles:

- A structured, tiered approach between industry and the OGA to ensure engagement with the correct personnel – four tiers of Stewardship Review are used:
 - Tier 0 Reviews – Operator group review at OGA Chief Executive and Managing Director (MD) level
 - Tier 1 Reviews – Individual operator regional and portfolio review at MD level
 - Tier 2 Reviews – Individual operator regional and full lifecycle strategic review at asset/ area management and subject matter expert level
 - Tier 3 Reviews – Individual operator technical and economic asset performance reviews at subject matter expert level
- Use of Asset Stewardship Survey data, benchmarking, and delivery of Stewardship Expectations enabling the OGA to prioritise which licensees/operators it meets, and to set the Stewardship Review meeting agenda to focus on issues presenting the greatest stewardship impact
- Alignment with industry business planning cycle to ensure the right point of influence and phasing with investment plans
- Annual review of the operator performance in Tier 1 Reviews with selected UKCS operators to measure performance against previous year's plans and shape future plans
- The need for constant performance improvement
- Identify good stewardship performance that the OGA can disseminate across the basin

A summary of the tiers used in Stewardship Reviews is shown below (Figure 3).

Tier 0	Tier 1	Tier 2	Tier 3
What			
<ul style="list-style-type: none"> OGA/UKCS context Benchmarking Sharing best practice 	<ul style="list-style-type: none"> UKCS portfolio E&P lifecycle Operator scorecard 	<ul style="list-style-type: none"> Regional review, or A phase of E&P lifecycle across multiple regions Selected Stewardship Expectations 	<ul style="list-style-type: none"> Asset specific Specific Stewardship issues Selected Stewardship Expectations
Who			
<ul style="list-style-type: none"> OGA CEO and Ops Director and operator MDs 	<ul style="list-style-type: none"> OGA Operations Director & operator MDs plus teams 	<ul style="list-style-type: none"> OGA and operator management & Subject Matter Experts (SME) 	<ul style="list-style-type: none"> OGA discipline engineer and operator SMEs
When			
<ul style="list-style-type: none"> Annual, end 1Q 	<ul style="list-style-type: none"> Annual 2Q onwards 	<ul style="list-style-type: none"> 2Q/ 3Q 	<ul style="list-style-type: none"> 2Q/ 3Q

Figure 3: Tiered Stewardship Reviews

Ultimately, Stewardship Review findings and actions will form part of the evidence base in overall assessment of an operator/licensee's delivery of MER UK obligations.

4. Tiered Stewardship Reviews

A **Tier 0 Review** is a single event and is scheduled with a group of selected operators in 1Q annually.

A **Tier 1 Review** is a single event and is scheduled with an individual operator selected by the OGA using the prioritisation evaluation outlined below.

A **Tier 2 Review** is scheduled where the OGA deems that there is:

- a. an aggregation of OGA priorities across the oil and gas lifecycle concerning one operator. For example, operator X has OGA priority exploration prospects, discoveries, and benchmarks within the Central North Sea (CNS) that the OGA considers a priority and on which the OGA's CNS technical specialists have held Tier 3 Reviews. The OGA, through the CNS Area Manager, may request to engage the operator in a higher level business strategy/MER UK discussion across the CNS region;
- b. an aggregation of an OGA priority across multiple UKCS regions:

Example 1: Operator Y has a number of OGA priority exploration prospects in its portfolio across the UKCS, an upcoming exploration and appraisal well investment decision in the West of Shetland, and two first term CNS licence management deadlines. The relevant OGA Area Managers and Exploration Manager may request a Tier 2 Review to examine stewardship of this exploration portfolio with the operator's Exploration Manager;

Example 2: Operator Z has the largest number of outstanding suspended wells across the UKCS, but generally provides good asset stewardship in other elements of the lifecycle. The relevant OGA Area Managers and Decommissioning Manager may request a Tier 2 Review to examine the suspended well situation across the multiple UKCS regions in their responsibility.

A **Tier 3 Review** is scheduled for each asset that is prioritised by the OGA using the prioritisation evaluation outlined below. This may comprise a single meeting, or a number of meetings depending on the subject matter and scope.

5. Prioritisation

Prioritisation of Stewardship Reviews is essential to make best use of the resources available to industry and the OGA. The OGA will focus its reviews on assets (and thus their operators) that offer the greatest MER UK impact.

Prioritisation of Stewardship Reviews across all tiers is determined by the OGA and will be evaluated utilising the following sources of information:

- UKCS Asset Stewardship Survey submissions
- Benchmarks
- Stewardship Expectation delivery
- Licence management
- Historic stewardship performance
- Area Plans

It is intended that Stewardship Reviews will focus on, but not be limited to, the following:

- Largest exploration prospects (Pg, P50)
- Largest undeveloped discoveries
- Final Investment Decisions (FID)/ major projects
- Critical infrastructure
- Benchmarking "outliers" (high and low) (eg. production efficiency, recovery factor, unit cost)
- Cessation of Production within six years
- Joint venture partner misalignment
- Key asset decisions/milestones

The OGA will create a confidential internal tier review programme identifying;

- The companies prioritised for Tier 0 and Tier 1 Reviews
- The assets prioritised for Tier 2 and Tier 3 Reviews

6. Preparation for a Stewardship Review

Preparation is key to delivering a successful, productive, Stewardship Review meeting.

The OGA will issue a communication (by email) requesting an operator's participation in a Stewardship Review. Where possible the OGA will issue its communication two to four weeks prior to the proposed meeting date. The OGA communication will set out:

The asset(s) subject to Stewardship Review

The tier level of Stewardship Review

Why the asset(s) have been prioritised for Stewardship Review

The agenda for the Stewardship Review (typically this will refer to relevant Stewardship Expectations)

Clarification of the materials required from the operator for the meeting (typically this will specify a slide pack, written document and/or detailed workstation access)

The intended OGA attendees

The recommended operator attendees

The proposed meeting date

On receipt of an OGA communication, an operator should promptly confirm that the proposed date is suitable (or suggest a proximate alternative date), suggest any additional agenda items (or explain why any agenda items are unsuitable), and the proposed the operator attendees.

At Tier 0 and Tier 1 Reviews, representatives from the OGA and the relevant operator will be the only attendees. At Tier 2 and Tier 3 Reviews the OGA welcomes joint venture partner attendance if the operator wishes to extend the invitation.

7. Execution of a Stewardship Review Meeting

The following applies to all Stewardship Reviews (Tier 0, Tier 1, Tier 2, and Tier 3).

Stewardship Review meetings will be chaired by an OGA representative. The OGA representative will provide context at the start of the meeting:

- Recap on the asset(s) under review
- The tier level of review
- The reasons why the assets have been prioritised for a Stewardship Review

The OGA representative will ensure the agreed meeting agenda is discussed in a timely manner.

The OGA will primarily focus on the operator's Asset Stewardship performance and will expect information and data to be presented to evidence this. The OGA will seek to ascertain the underlying reasons for such Asset Stewardship performance.

The OGA will lead the meeting in a similar manner to that of a non-operated stakeholder. Where appropriate the OGA will constructively engage in robust challenge, holding the operator to account for its Asset Stewardship performance.

Where good practices are evidenced by an operator the OGA may seek further learning to enable broader sharing across the UKCS.

Stewardship Reviews are not intended to:

- Dictate "how" an operator should meet an objective
- Technically assure an operator's activity
- Duplicate operator activity

During Stewardship Reviews, the OGA expects operators to:

- Proactively engage
- Ensure the availability of necessary information, data and supporting detail
- Hold the OGA to account with regards the OGA's objectives and plans

At the end of a meeting:

- The OGA representative will offer an evidence-based initial summary of the OGA's view of the operator's Asset Stewardship performance
- Where appropriate, specific time bound actions will be agreed and recorded. The OGA may advise that additional time is required to consider the information and/ or data received during the review; to conduct further internal activity to inform its views, and it will revert to the operator to agree operator actions
- Any further follow up engagement will be indicated

8. Post Tier Review meeting actions

Following a Tier Review meeting, the OGA will send a short summary to the operator confirming the following:

- That the entire meeting agenda was addressed or, alternatively, specifying outstanding agenda items that require follow-up
- The agreed actions for the operator and timetable for completion
- Requirement for follow up meeting(s) (if any)



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