



## SANCTION NOTICE

**To: ONE-Dyas UK Limited  
Company Number: 03531783**

**Addresses: 8th Floor  
100 Bishopsgate,  
London  
EC2N 4AG**

**Date: 4 November 2024**

### 1. SANCTION NOTICE

- 1.1. This Sanction Notice is given to ONE-Dyas UK Limited (“**ONE-Dyas**”) pursuant to section 42 of the Energy Act 2016 (the “**2016 Act**”).
- 1.2. For the reasons given in this Sanction Notice, the North Sea Transition Authority (“**NSTA**”) issues a Financial Penalty Notice which imposes on ONE-Dyas a penalty of **£75,000** (seventy-five thousand pounds).

### 2. SUMMARY OF FACTS

- 2.1 The NSTA may use its sanction powers under Part 2, Chapter 5 of the 2016 Act where there has been a failure to comply with a petroleum related requirement. A petroleum related requirement includes a term or condition of an offshore licence.
- 2.2 Clause 19(2) of licence P1630 states that the licensee “...shall not abandon any Well without the consent in writing of the Minister”.

- 2.3 ONE-Dyas confirmed that the plugging and abandonment operations for well 42/15a-4 commenced on the **1 June 2023** and completed on **7 June 2023** and that it did not submit the abandonment application until **9 June 2023**. The abandonment of a well without the required consent is a failure to comply with clause 19(2) of the Licence. A breach of a licence may constitute a failure to comply with a petroleum related requirement.
- 2.4 ONE-Dyas plugged and abandoned well 42/15a-4 ("**the Well**") without the necessary consent from the NSTA to do so, contrary to clause 19(2) of its licence P1630 ("**the Breach**").

### **3. BACKGROUND**

#### Operational timeline

- 3.1 On **10 March 2023**, ONE-Dyas was issued with a consent to drill wells 42/15a to 42/15a-H. This drilling consent allowed for the drilling of an appraisal well, spud, respud and mechanically sidetrack.
- 3.2 It is of note that well abandonment is not included in a drilling consent and a separate application needs to be submitted to the NSTA prior to abandoning any well.
- 3.3 Well 42/15a-4 had been drilled as an exploration well under licence P1630. Between **1 June 2023** and **7 June 2023**, ONE-Dyas plugged and abandoned well 42/15a-4 without the necessary consent required to do so under its licence.
- 3.4 The NSTA well operations notification system ("**WONS**") Abandonment Phase 3 application was submitted on **9 June 2023**. The abandonment application stated the anticipated date for the phase 3 abandonment was **8 June 2023**.
- 3.5 On **13 June 2023**, the NSTA Decommissioning team asked ONE-Dyas for comments on why the application to plug and abandon well 42/15a-4 was submitted after the well had been plugged and abandoned. ONE-Dyas stated that it had worked on the basis that the initial drilling application fully described the full lifecycle of the well 42/15a-4 including its abandonment. ONE-Dyas further stated that it was under the impression that an abandonment consent was not required for an appraisal well. It was brought to the attention of the person responsible for the plugging and abandoning of this well that there was a requirement to upload the final plugging and abandoning diagram and seabed clearance survey as part of the abandonment notification. ONE-Dyas submitted an abandonment application on **9 June 2023**, seeking retrospective consent.
- 3.6 The NSTA sent a sanction warning notice ("**SWN**") to ONE-Dyas on **1 July 2024**. ONE-Dyas responded to the SWN on **22 July 2024** setting out its representations, summaries of which are at paragraphs 7.1 to 7.9 below. Following a correction the NSTA made to the SWN regarding the date that the Guidance referenced in paragraph 3.7 below was issued, ONE-Dyas provided further short representations on **6 September 2024**.

#### NSTA Guidance

- 3.7 In **2022** the NSTA's issued its "*UKCS Well Application and Consents Guidance*" ("**the Guidance**"). This provides guidance to industry on the process of obtaining the NSTA's consent for a range

of activities relating to work on wells including how to obtain consent for abandonment. Applications for a range of activities including in relation to well abandonment should be submitted 28 days in advance of the anticipated start of the activity.<sup>1</sup>

- 3.8 Under the heading “*Consent to drill, mechanically side-track or recommence drilling an exploration, appraisal or development well*”, the Guidance states at paragraph 40:

*“A consent to abandon cannot be “bundled” with the initial drilling consent and can only be applied for once the well has spudded. To avoid a delay to operations and to ensure that there is a coordinated approach to drilling and abandonment, licensees should set out their proposals for abandonment as part of the Pre-drill Assessment (see Abandonment section below).”*

- 3.9 Under the heading “*Abandonment of particular classes of wells*”, the Guidance states that:

*“116. E&A abandonment consents are no longer “bundled” with the initial drilling consents and, currently, WONS only allows an application for abandonment to be made after the well is spudded.*

*117. To avoid a delay to operations and to ensure that there is a coordinated approach to drilling and abandonment, licensees should set out their proposals for abandonment as part of the Pre-drill Assessment. As part of that Assessment, any potential re-use opportunities for the formation or well should be identified and the proposals for the abandonment of the well will be considered by the NSTA specialists and discussed with Operator to ensure that the abandonment design will be effective in those circumstances.*

*118. The purpose of this process is to ensure that, before the application for abandonment has been made (currently after the well has spudded), the requirements and overall design of the abandonment are understood. An abandonment application with full supporting information must then be made once the well has spudded.*

- 3.10 Under the heading “*Timing, data and reporting*”, the Guidance states that:

*122. **Applications for consent should be submitted through WONS at least 28 calendar days before the intended start of the abandonment. Activity must not commence until a consent has been received.** For exploration and appraisal wells, licensees should include their abandonment plans as part of the Pre-well Assessment as described in the Drill and Sidetrack sections above.*

*123. An abandonment notification must be submitted through WONS within seven calendar days of the well having been fully abandoned along with evidence of the AB3 status.” [Emphasis added]*

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<sup>1</sup> The NSTA’s “[UKCS Well Applications and Consents Guidance](#)” dated July 2022 states that “Applications should be submitted at least 28 calendar days before the anticipated start of the activity. This is to allow time for the NSTA to review the application and raise and consider responses to any queries. In exceptional circumstances where 28 days’ notice has not been possible, the NSTA team will endeavour to fast track the application but this should not be assumed”.

#### 4. LICENSEES

- 4.1 At the time of the Breach, ONE-Dyas was co-licensee and operator in relation to licence P1630. The NSTA has determined that enforcement action should be pursued only in relation to ONE-Dyas given that ONE-Dyas was the operator of the Well.

#### 5. FAILURE TO COMPLY

- 5.1 The NSTA may give a sanction notice under Chapter 5 of the Energy Act 2016 where there has been a failure to comply with a petroleum-related requirement. A petroleum-related requirement includes a duty to comply with a term or condition of an offshore license.<sup>2</sup>
- 5.2 Clause 19(2) of the Licence requires that *“subject to paragraph (6), the Licensee shall not abandon any Well without the consent in writing of the [OGA].”*
- 5.3 While ONE-Dyas confirmed to the NSTA that the plugging and abandonment operations for the Well commenced on the **1 June 2023**, and completed on **7 June 2023**, it did not submit the abandonment application until **9 June 2023**.
- 5.4 ONE-Dyas asserted that it was under the impression that an abandonment consent was not required for an appraisal well. The initial drilling consent for the Well dated **10 March 2023** specified that the consent included the spud, re-spud and mechanically sidetrack of the well only. It did not include a consent for plugging and abandonment. The Guidance makes clear that abandonment of appraisal wells cannot be bundled with the drilling application, that abandonment applications can only be made after a well has been spudded (see paragraphs 3.8 to 3.10 above) and that a separate application needs to be submitted prior to abandoning an appraisal well.
- 5.5 ONE-Dyas failed to meet the requirement of clause 19(2) of licence P1630 to obtain the consent of the NSTA prior to abandoning the Well and this breach of the terms of the licence amounts to a failure to comply with a petroleum-related requirement.

#### 6. THE SANCTION

- 6.1. The NSTA issues this Sanction Notice with a financial penalty of **£75,000.00 (“the Financial Penalty”)** in respect of the Breach. In arriving at the level of the Financial Penalty, the NSTA has had regard to those matters listed in section 8 of the Energy Act 2016, in particular the need to maintain a stable and predictable system of regulation which encourages investment in relevant activities.
- 6.2. The NSTA has significant responsibilities regarding consenting to the plugging and abandoning of wells. The NSTA scrutinises applications made by operators and licensees for consent to plug and abandon wells. The NSTA will reject applications where, in light of the known information about the well, the design for plugging and abandoning the well is not considered suitable. Failure by licensees to adhere to their responsibilities regarding obtaining the NSTA’s consent prior to the plugging and abandonment of wells impacts upon the ability of the NSTA to secure

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<sup>2</sup> [Energy Act 2016](#), section 42(3).

fields for alternative use such as carbon capture and to ensure that the well abandonment design will be effective.

- 6.3. In this respect, the NSTA regulates the well decommissioning obligations placed on licensees and has powers to take enforcement action through issuing a sanction notice where licensees fail to comply with those obligations. Taking such action maintains a stable and predictable system of regulation as it provides a clear indication to those that the NSTA regulates that they should comply with their regulatory obligations including in relation to obtaining consent from the NSTA prior to abandoning a well.
- 6.4. The other available sanctions under the Energy Act 2016 (e.g. enforcement notice, licence revocation notice or an operator removal notice) are not proportionate or necessary in these circumstances given that ONE-Dyas has plugged and abandoned the well to an acceptable standard.

#### Consideration of the NSTA's Sanction Guidance and Financial Penalty Guidance

- 6.5. As set out in paragraph 24 of the Sanction Procedure Guidance<sup>3</sup> and paragraph 16 of the Financial Penalty Guidance, any penalty the NSTA determines should be, among other things:

- 6.5.1. Effective in addressing the underlying cause for the failure to comply;

- 6.5.2. Dissuasive of future failures to comply, either by the person or, further to publication of the Sanction Notice, other persons in similar circumstances; and

- 6.5.3. Proportionate to the significance of the failure in the context of the petroleum-related requirement and the impact on the relevant persons.

- 6.6. Paragraph 17 of the NSTA's Financial Penalty Guidance sets out various matters that the NSTA may also take into account when determining the amount of a financial penalty, as follows:

#### **The extent to which ONE-Dyas may have sought to benefit from the failure to comply**

- 6.7. There is no evidence that ONE-Dyas sought to benefit from the failure to comply.

#### **Whether ONE-Dyas gained as a consequence of the failure to comply**

- 6.8. There is no evidence that ONE-Dyas gained (financially or otherwise) from the failure to comply.

#### **The severity of failure to comply**

- 6.9. ONE-Dyas' limited knowledge (at the time of the breach) of the requirements relating to plugging and abandoning appraisal wells is a concern to the NSTA. The requirement to obtain consent under the licence is clearly set out in the model clauses to the Licence and in the NSTA published guidance. It is considered that ONE-Dyas did not have the appropriate systems and processes in place to apply for, track and comply with its consents.

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<sup>3</sup> [NSTA Sanction Procedure, 4 November 2022.](#)

- 6.10. The NSTA sees the effective management of such consents as being an indicator of good stewardship by operators and licensees. Compliance with consenting obligations and effective management of consents also go towards a company's social licence to operate.
- 6.11. As stated in paragraph 6.2, the NSTA is responsible for securing fields for alternative use such as carbon capture and ensuring that the well abandonment design will be effective. To ensure that these requirements are met, the NSTA has a consenting regime under the terms of the licence for approving the plugging and abandonment of wells. ONE-Dyas failed to comply with these requirements.

**The degree of harm caused, or increased costs incurred by the failure to comply**

- 6.12. ONE-Dyas failed to adhere to its requirements in relation to the plugging and abandoning of a well. The Breach arose from their failure to obtain prior NSTA consent before abandoning. On reviewing ONE-Dyas' (late) abandonment application, the NSTA was content with how the well had physically been abandoned. If this had not been the case the consequences could have been significant and remediation (for example by drilling and re-plugging the well) might not have been feasible.

**Whether there are any relevant industry Codes of Practice**

- 6.13. There are no relevant industry codes of practice for well plugging and abandonment.

**The duration of the contravention**

- 6.14. The consent application was submitted two days after the well was plugged and abandoned. The NSTA has not placed substantial weight on the duration of the contravention as a material factor in this case because the failure arose from abandoning the well without obtaining prior consent. The application for consent to plug and abandon the well should have been submitted 28 days before the work commenced and only once a consent for the work had been issued should activity have begun.

**Mitigating and aggravating circumstances**

- 6.15. The NSTA's Financial Penalty Guidance states that the NSTA may take into account the mitigating (paragraph 17.2) and aggravating (paragraph 17.3) factors. In proposing the fine level, the NSTA has taken into account the following:

Mitigating circumstances

- 6.16. ONE-Dyas has stated that it has implemented steps to prevent a recurrence of this and similar oversights going forward, including by the contracting of "*an external consultant to track all of our Permit, Licence, Authorisation, Notification and Consent (PLANC) requirements and submissions for future well operations*". ONE-Dyas has also stated that the requirement for consent to abandon an appraisal well has now been added to their internal UK well specification training and that there should not be a reoccurrence of this oversight.

- 6.17. The level of the Financial Penalty takes into account the steps that ONE-Dyas has taken to prevent recurrence and that it has fully co-operated with the NSTA's investigation.

Aggravating circumstances

- 6.18. At the time of the Breach, ONE-Dyas did not have appropriate processes in place to ensure its compliance with the regulatory requirements regarding the plugging and abandonment of wells.

**7. REPRESENTATIONS**

- 7.1. In issuing this Sanction Notice, the NSTA has considered the representations made by ONE-Dyas on **22 July 2024** and **6 September 2024** in response to the Sanction Warning Notice.

***Summary of ONE-Dyas' representations***

- 7.2. In its representations, ONE-Dyas stated that it *"did not challenge the finding that it failed to comply with a petroleum-related requirement, being that the Well was abandoned without prior consent"*. ONE-Dyas did, however, invite the NSTA to not issue a sanction notice given *"the facts and circumstances, the steps that ODUK has taken to address the underlying cause, and that ODUK remains fully committed to ensuring compliance with all future plug and abandonment requirements"*.
- 7.3. In making its representations, ONE-Dyas relied upon its otherwise good record of compliance, noting that it *"has not previously received a Sanction Warning Notice or Sanction Notice from the NSTA"*.
- 7.4. ONE-Dyas stated that its *"failure to obtain consent was unintentional"*. ONE-Dyas stated that, at *"all relevant times up to the 9 June 2023, ODUK believed that it had sought and obtained the prior plug and abandon consent for the Well from the NSTA"*, noting that the initial drilling application stated that the Well *"will be permanently plugged and abandoned in all outcomes of the exploration drilling"*.
- 7.5. ONE-Dyas relied on the fact that there was limited period (approximately 3 months) between the Well being spudded (drilled) and then plugged and abandoned, that the Well was plugged and abandoned in a timely way and the work was carried out to a satisfactory standard.
- 7.6. ONE-Dyas stated the Well in question was the first well plugged and abandoned by ONE-Dyas since the NSTA updated its well consents guidance in 2022 which set out that a consent to abandon a well is no longer *"bundled"* in an initial drilling consent. When ONE-Dyas became clear as to its error, it acted quickly to seek retrospective consent.
- 7.7. ONE-Dyas relied on the steps it has taken (as set out in paragraph 6.16 above) to prevent further breaches. ONE-Dyas states that it did not make a gain from the Breach.
- 7.8. In further mitigation, ONE-Dyas also submitted the following:

7.8.1. That *“ODUK’s approach to plug and abandonment operations at the Well was consistent with its commitment to the timely decommissioning of appraisal wells”* and that *“we do not consider that the breach is significant in light of the OGA Strategy and does not risk fulfilment of the OGA Strategy”*.

7.8.2. By not imposing a penalty, the NSTA *“will not establish a material precedent for third party operators in the future given that this matter is fact-specific”*. ONE-Dyas further submitted that, a *“...sanction is not necessary to correct the failure to comply with the petroleum-related requirement (or to dissuade a future failure to comply by ODUK), as ODUK has already taken steps to achieve this”*. Further, *“there is no need to clarify the NSTA’s approach for its stakeholders”* in view of the *“updated wells consents guidance published in July 2022”*.

7.8.3. ONE-Dyas *“made no gain from the failure to comply”* and it *“has fully cooperated with the NSTA investigation and all requests for information”*.

7.9. On **3 September 2024**, the NSTA wrote to ONE-Dyas to acknowledge that it was in **2022** that the NSTA issued Guidance (not 2018, as had been stated in the Sanction Warning Notice) making clear that abandonment applications could not be bundled with the drilling application. The NSTA asked ONE-Dyas whether they wished to make further representations in light of this correction. ONE-Dyas provided further representations to the NSTA on **6 September 2024**.

#### ***The NSTA’s response to ONE-Dyas’ representations***

7.10. For the reasons set out in this Sanction Notice, the NSTA considers that it is appropriate to impose a financial penalty in respect of the Breach. This decision takes into consideration the representations raised by ONE-Dyas.

7.11. As set out at paragraph 6.2. above, the NSTA has significant responsibilities in respect of consenting to the plugging and abandoning of wells. This entails the NSTA scrutinising applications and, where appropriate, working with licensees to rectify applications that are unsuitable. While the plug and abandonment work on the Well was carried out to a satisfactory standard, ONE-Dyas’ failure to obtain the NSTA’s consent prior to the plug and abandonment of the Well meant that the NSTA was not able to provide the appropriate level of regulatory scrutiny.

7.12. The central objective of the financial penalty in this Sanction Notice is deterrence, with the penalty being set at a level to reflect this and the seriousness of the Breach. Taking action in respect of the Breach demonstrates to other licensees and the public the importance that the NSTA places on the fulfilment of the plug and abandonment obligations in the licence, which in turn will encourage future compliance of those obligations. More broadly, the action taken by the NSTA here will develop public and investor confidence in the UKCS by demonstrating how the NSTA is acting to ensure that regulatory obligations are complied with.

7.13. We consider that the Financial Penalty imposed here reaches an appropriate balance between the need for the NSTA to take action while recognising that the Breach was unintentional and that ONE-Dyas has taken steps to mitigate a re-occurrence.



- 7.14. While it is positive that ONE-Dyas: (a) acted quickly to seek consent once it had identified the breach, and (b) has taken steps to improve the tracking of its consents, including updating its internal processes, this does not absolve it of the Breach.
- 7.15. The NSTA does not consider the fact that its guidance was issued in **2022** (not **2018** as previously stated in the Sanction Warning Notice) changes its conclusion. The abandonment of the well concerned took place in **June 2023**, some 11 months following the publication of the Guidance. The Guidance was in place at the time the breach occurred and the duty remains on operators and licensees to be up to date with the current NSTA requirements and consenting processes in conducting operational activity.

## **8. PUBLICATION OF THE SANCTION NOTICE**

- 8.1. Pursuant to section 53 of the 2016 Act, the NSTA may publish details of any Sanction Notice given in accordance Chapter 5 of the 2016 Act.

**On and Behalf of the NSTA Board**