



Secretary of State meets Oil & Gas UK



in this issue



The new politics of 2010

Rona Macdonald introduces Westminster's new faces



Preparing for the next big step change

John Forrest and Gordon Ballard on Step Change's new strategy



Predictability is the name of the game

Mike Tholen looks at the UKCS tax regime



In the spotlight: Robin Davies

Oil & Gas UK's new contractor co-chair

Welcome

Two stories have dominated the media in recent weeks, and both are reflected in this issue of Wireline.

As we go to print, the coalition government has been in office for little over two weeks and we are beginning to discover what the new administration could mean for our sector. While the recently published programme setting out the government's key policies for the next five years would appear to be an 'oil and gas free zone', we were heartened that Chris Huhne, the new Secretary of State for Energy and Climate Change, took time out in his first week of office to visit our offices in Aberdeen.

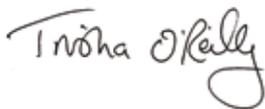
At the meeting, the Secretary of State confirmed his commitment to making sure that the right licensing regime and investment environment are in place to fully exploit the UKCS' remaining potential and maximise its role in securing the country's energy supplies. His statement is welcome news and we are looking forward to working with Mr Huhne and his colleagues across the government in the coming months to ensure we achieve just that. You can read more about our meeting with the Secretary of State, as well as the rest of our post-election political contact programme on page 6.

As with the launch of the industry's Helicopter Task Group last year in response to the loss of North Sea Flight 85N, Oil & Gas UK's Board is equally resolved to take a constructive approach to the Deepwater Horizon incident in the Gulf of Mexico. A new industry advisory group has been set up to provide the focal point for the sector's review of its oil spill prevention and response practices in the UK. The Oil Spill Prevention and Response Advisory Group (OSPRAG) is chaired by Mark McAllister, chief executive of Fairfield Energy Ltd, and will oversee the work of five review groups to ensure that the arrangements in the UK continue to be fit for purpose. More information about this new Oil & Gas UK group can be found on page 4.

Elsewhere, Robin Davies, global vice president of Subsea 7 and Oil & Gas UK's new co-chair, gives his first interview for Wireline, outlining his vision for the UKCS and its supply chain. The four new members to have recently joined the Oil & Gas UK Board – Susan Elston of Aramark, Gordon Ballard of Schlumberger Oilfield UK, John Pearson of AMEC and Paul Warwick of ConocoPhillips – also talk about what they see as the main challenges for the organisation over the next five years.

This issue also reviews the impact of the industry's NRB guidelines, a year after their launch. Brian Nixon, chief executive of Decom North Sea, explores the opportunities opening up for the supply chain in the decommissioning market and the case for preserving, managing and sharing data in the sector is argued by Malcolm Fleming of CDA. The co-chairs of Step Change in Safety, John Forrest of Talisman Energy and Schlumberger's Gordon Ballard, describe the safety group's new strategy, while our own environmental issues director, Mick Borwell, takes a closer look at how marine legislation is being implemented both north and south of the border.

Finally, the search is on for our industry's best of the best. Entry is now open for candidates in our prestigious Oil & Gas UK Awards, with six different categories to apply for. For the first time, the nomination and judging process will be fully electronic and applicants can submit their entries online. Further details can be found on page 3.



Trisha O'Reilly
Communications Director

Wireline is published by Oil & Gas UK, the leading representative organisation for the UK offshore oil and gas industry. Oil & Gas UK's members are companies licensed by the government to explore for and produce oil and gas in UK waters and those who form any part of the industry's supply chain.

We want to hear your views on our newsletter so please send us your feedback as well as ideas for future articles.

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Contents

NEWS

- **2010 business confidence is improving** 3
Latest Oil & Gas UK index confirms increase in business optimism and activity
- **The search is now on for the Oil & Gas UK Awards** 3
Oil & Gas UK to honour the best and brightest in the oil and gas industry
- **West of Shetland development boost for industry** 4
Total's Laggan - Tormore development gets go-ahead
- **New advisory group to review UK oil spill prevention and response** 4
Taking a critical look at current UK practices

THE VIEW

- **Predictability is the name of the game** 5
Mike Tholen looks at the UKCS tax regime

PARLIAMENTARY UPDATE

- **The new politics of 2010** 6
Rona Macdonald introduces Westminster's new faces

FEATURE ARTICLES

- **NRB process working, but challenges remain** 8
One year on, Jessica Burton reflects on progress made
- **Decommissioning market offers opportunities for UK supply chain** 9
Preparation, collaboration and innovation are key to decommissioning success
- **Preparing for the next big step change** 10
John Forrest and Gordon Ballard on Step Change's new strategy
- **Data managers make a difference in the UK** 11
The importance of preserving, managing and sharing data
- **A brave new world** 12
Working with the offshore wind industry
- **Marine planning requires joined-up thinking** 13
Mick Borwell reviews marine legislation north and south of the border
- **In the spotlight: Robin Davies** 14
Oil & Gas UK's new contractor co-chair

OIL & GAS UK DATES FOR YOUR DIARY

16

News

2010 business confidence is improving

The latest Oil & Gas UK Index, which provides an overall measure of industry confidence on a 100 point scale, shows a marked increase in business optimism and activity across the UK oil and gas sector. However, activity still has some way to go before it returns to what it was two years ago.

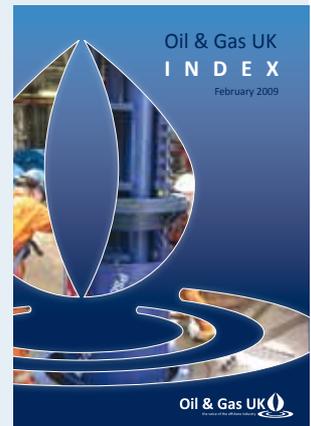
The Oil & Gas UK index rose by five points in the first quarter of this year to reach 61. This follows a six point increase in the previous quarter and confirms the increasingly positive mood now spreading across the industry.

“It is encouraging to see this continuous upward trend in business confidence, which is a clear indicator that our industry is emerging from the recession with renewed drive, confidence and optimism”, explains Brian Kinkead, Oil & Gas UK’s supply chain director. “In particular, there has been a big jump in confidence in the drilling and well services sector, up ten points from the previous quarter to reach an overall index of 60. Confidence in the facilities engineering, operations and maintenance sector is up four points, and also stands at 60;

the marine and subsea sector is up five points to 59; and support services are up four points to 57.

“When we first ran our survey in early 2009, we saw a big gap in business confidence between the exploration and production (E&P) companies and the supply chain, the latter having been hit hardest by the low oil price and economic uncertainty. It is good to see this gap continuing to narrow. In Q3 2009 the supply chain index was still 16 points behind the E&P index. In Q4 2009 it was seven points lower and for the first quarter of this year, it was six points behind.

“Yet despite these positive signs, the overall index of 61 suggests that although business confidence and activity is improving, activity is still not where it was some two to three years ago.”



The search is now on for the Oil & Gas UK Awards!

The search is now officially on for nominations to compete in this year’s prestigious Oil & Gas UK Awards, sponsored by Shell U.K. Limited. The Awards, first introduced in 2003, celebrate the people and businesses currently making an exceptional contribution to our industry. Following the success of last year’s awards, this year will again honour the best of the best in our industry, recognising outstanding talent, commitment and entrepreneurial flair.

This year, there will be a new award in the corporate category for business efficiency, which recognises innovation in the delivery of improved operational performance. The nomination process has also gone fully electronic and applicants will be able to submit their entries online for the first time in the following categories:

Individual Awards

The Oil & Gas UK Award for Overall Excellence which recognises outstanding achievement by young people working in the UK offshore oil and gas industry today;

The Oil & Gas UK Award for Young Technician of the Year which recognises the vital contribution of our industry’s technicians;

The Oil & Gas UK Award for Mentoring which recognises the important role mentors play in passing on their knowledge and expertise to the next generation of oil and gas workers.

Corporate Awards

The Oil & Gas UK Award for Business Efficiency (new for 2010) which recognises innovation in the delivery of improved operational performance;

The Oil & Gas UK Award for People Development which recognises the outstanding commitment made by an organisation in developing every company’s most important asset - its people.

The closing date for entries is 6 August.

To submit nominations, go to the Oil & Gas UK website www.oilandgasuk.co.uk. The winners will be announced at the Oil & Gas UK Awards dinner on 04 November 2010.



West of Shetland development boost for industry

In late March, Total and its partner DONG Energy announced the approval of their £2.5 billion project to develop the Laggan - Tormore gas and gas condensate fields.

This was the announcement that the industry (and the government) had been waiting for. It provides a huge boost to confidence as well as encompassing several highly significant features. The development will create the first major gas export system from the area west of Shetland to the UK mainland, the only area currently without such a system. The scale of the investment has the potential to support a large number of highly skilled jobs, particularly in the subsea sector.

The gas and gas condensate will travel via seabed flow-lines to Shetland where a processing terminal will be constructed near the existing Sullom Voe oil terminal. It is many years since Shetland has seen investment of this magnitude, with all the positive implications for jobs during the construction and then the long term operation of the terminal.

Treated gas will then flow via a new pipeline to join the existing Frigg UK line operated by Total, with the gas arriving at the St Fergus terminal in north-east Scotland where it will flow into the UK's National Transmission System. This new export route will open the door for other

operators west of Shetland, whose gas might otherwise be stranded because the volumes simply are inadequate to fund the necessary investment. All in all, this is one of the best pieces of news for the industry in many years.



Advisory group to review UK oil spill prevention and response

In light of the Gulf of Mexico incident, Oil & Gas UK has established an advisory group to provide a focal point for the review of the sector's oil spill prevention and response practices in the UK. The Oil Spill Prevention and Response Advisory Group (OSPRAG) is formed by senior representatives from all sides of the industry, the relevant regulatory authorities and representatives from the trade unions. It will conduct its work in close co-operation with the Health and Safety Executive, the Department for Energy and Climate Change and the Marine and Coastguard Agency. The group will provide direction and support to five specialist review groups whose remit is to focus on:

- technical issues including first response for protection of personnel;
- oil spill response capability and remediation;
- national emergency response measures;
- indemnity and insurance requirements;
- pan-North Sea regulations and response mechanisms.

OSPRAG is chaired by Mark McAllister, chief executive of Fairfield Energy, who commented: "Although we have not had a blowout in the last 20 years of operations in the UK and the oil spills we do have tend to be on a very small scale, we must put the safety of our employees first and minimise any adverse environmental

impacts of our operations. In light of the Gulf of Mexico incident in April, it is only right that we take a critical look at our practices in the UK for oil spill prevention and response. The review will be comprehensive and will help ensure that the arrangements in the UK continue to be fit for purpose."



Predictability is the name of the game

by Mike Tholen, economics director, Oil & Gas UK



As the UK Continental Shelf (UKCS) matures and operating here becomes more technically challenging and expensive, we're all well aware of the things that can be done to encourage continued investment and unlock as many of the 25 billion barrels of oil and gas that still lie beneath our waters as possible.

For its part, the industry can step up efforts to increase efficiency and make better use of the existing offshore infrastructure to prolong the productive life of the UKCS. But what's needed from the government, after a decade of unexpected tax changes is certainty and predictability on the tax and regulatory regime.

As is the case in any major business, it is unpredictability and uncertainty that make markets jittery and jeopardise growth; the UK oil and gas industry is no different. In fact, certainty is even more crucial for our industry because the investment cycle is such a long one and the scale of investment so large. It may take more than one parliament to develop a new discovery and another parliament to achieve a payback for that investment. Certainty on taxation and regulation over the whole of the investment cycle from start-up through to decommissioning are therefore essential if we are to continue to attract the billions of pounds of new investment per year into the UKCS.

Between 2002 and 2007, the industry was the subject of four unexpected tax hits, which undermined investor confidence in the province. Subsequently, investment fell from £6 billion in 2006 to £4.7 billion in 2009. The number of new field start-ups also dropped. The expected production decline rate accelerated and

total estimated recovery fell and all this at a time when oil and gas prices were generally heading up rather than down.

Towards the end of 2008, however, the Treasury embarked on a fresh consultation with the industry on the future of the tax regime for the UKCS. Through this dialogue, Oil & Gas UK and individual companies together have been able to demonstrate that the increase in the tax burden has slowed down investment in many new fields, ultimately reducing tax receipts. As a result, a new field allowance was introduced in the 2009 Budget for small fields less than 25 million barrels and other technically challenging opportunities such as heavy oil. The allowance has since been extended to cover investment in new high pressure high temperature (HPHT) fields and gas fields to the west of Shetland. Whilst more needs to be done to promote investment in existing fields, this allowance was viewed positively by the industry at large.

In February this year, Oil & Gas UK's Activity Survey revealed that total oil and gas reserves currently in production or seeking investment had increased by a quarter in the last year, from 8.8 billion barrels of oil equivalent (boe) to 11.1 billion boe. Potential new field developments have doubled over the last year to 3.3 billion boe at the start of 2010. Important developments such as Laggan-Tormore in the west of Shetland have been given the green light and investment in 2010 is forecast to increase above £5 billion. Clearly taxation is not the only factor driving investment. However the introduction of the allowance was a powerful signal that the previous government wished to

provide predictability and certainty on new investment.

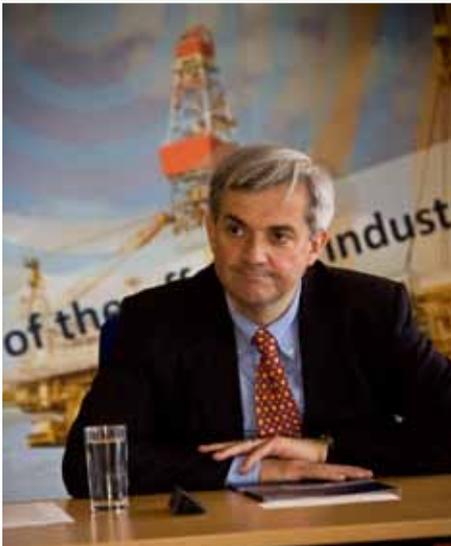
We are all well aware of the challenges the new government faces in repairing the public finances but experience from the past decade tells us that any unexpected tax change will dampen investment and production, with knock-on effects on energy security, employment and, importantly for the public purse, tax collected on production. In contrast, through predictability combined with positive engagement, investment in new and mature assets will be encouraged and we will be more likely to maximise the economic recovery of this vital natural resource.

This same approach is needed for decommissioning, where there is continued uncertainty regarding the tax treatment of such costs. Industry has made proper financial provision for its share of the decommissioning costs and understandably expects government to do the same. Without this certainty, investment in many mature assets will falter and the UKCS will become an unattractive destination for new investors.

This industry takes a long-term view of investment from development through to decommissioning. We value the opportunity to engage positively with the government on the future of the North Sea. Certainty across the whole investment cycle covering all aspects of the fiscal regime will deliver the best result for government and the industry at large, boosting production, increasing tax revenues and employment and ensuring energy security will be sustained for decades to come.

The new politics of 2010

In this article, Rona Macdonald introduces Westminster's new faces



Chris Huhne MP

Only three days into the new parliament Oil & Gas UK was delighted to welcome Chris Huhne MP, the Secretary of State for Energy and Climate Change (DECC), to its Aberdeen office to meet with directors and Board members.

One of the five Liberal Democrat MPs in the new coalition government, Chris Huhne has a track record of supporting environmental and climate change issues as well as a strong business background. During the meeting the Secretary of State was keen to stress the importance of oil and gas to the British economy and acknowledged the role of the offshore oil and gas industry as a key provider of the UK's energy for many years to come.



Charles Hendry MP

The hour long meeting covered a wide range of topics from the Gulf of Mexico, through health and safety, the importance of the supply chain to the UK's economy and appropriate levels of regulation. The Secretary of State was urged to facilitate engagement with the Chancellor in advance of the emergency Budget. He responded favourably to an invitation to visit an offshore platform. Regular dialogue will continue between industry and government Ministers through the PILOT forum which Chris Huhne confirmed he looks forward to chairing.

The industry has also welcomed the appointment of Charles Hendry MP as Minister of State at DECC. Charles is well up to speed with energy issues, having held the shadow energy brief for five years and will deal with many of the day to day issues of the oil and gas industry. Both Chris Huhne and Charles Hendry will of course be key players in promoting the passage of the Energy Security and Green Economy Bill, which was announced in the Queen's speech on 25 May.



Danny Alexander MP

Two other important appointments for the industry are Danny Alexander MP as Chief Secretary to the Treasury and Michael Moore MP, the new Secretary of State for Scotland. It's hoped that Danny Alexander will continue his support for the industry if his pre-election comments in the Press and Journal are anything to go by. In April this year he said that a key provision in his



party's manifesto was to stay committed to maximising the development of oil and gas reserves and not to raise taxes offshore. The objective, he said, is to reassure the offshore industry that it has nothing to fear and everything to gain from his party wielding more influence at Westminster.

Oil & Gas UK has pulled together a detailed post election political contact programme in order to ensure key messages are delivered to political influencers in the new Parliament. With the emergency Budget scheduled for 22 June, the industry will make it a priority to secure meetings with the Chancellor of the Exchequer and his Ministers.

The work of the British Offshore Oil and Gas Industry All Party Parliamentary Group will remain a key focus for our regular contact with MPs and Peers who want to keep up to date with the latest news from the industry. The group will hold its inaugural meeting on 15 June at the House of Commons where the chairman and officers will be elected, the remit of the group will be debated and the programme of meetings and site visits for the next 12 months will be set out.

Many of the members from the last Parliament are expected to continue

their activity with the group but the real challenge is to attract new members and broaden the membership. The group has lost supportive members such as Bob Blizzard and Tony Wright who failed to be re-elected at the general election but with 232 new MPs there is much fresh talent out there and it's important that Oil & Gas UK and its members bring new MPs up to speed on the importance of oil and gas to the UK's economy. To help with this, the Oil & Gas UK jobs map is being updated with the new Parliamentary Constituencies and will shortly be available on the Oil & Gas UK website.

Much of the interest in the industry comes from politicians in the north east of Scotland and Anne Begg MP, Malcolm Bruce MP, Frank Doran MP, Sir Robert Smith MP and Mike Weir were all successfully re-elected. The new addition in the north east corner is Dr Eilidh Whiteford MP who takes over the Banff and Buchan seat from Alex Salmond. Dr Whiteford attended the prospective parliamentary candidate briefing organised by Oil & Gas UK before the election and it is hoped that she will continue her interest in the subject.

More details about the new government policies can be found in the coalition agreement which was published on 20 May 2010 at <http://www.direct.gov.uk>.

The clear message from the Conservatives and the Liberal Democrats on energy policy is "we will deliver a full programme of measures to fulfil our joint ambitions for a low carbon and eco-friendly economy and make deep cuts in greenhouse gas emissions".

The next five years are uncharted territory. Business has not been used to dealing with a coalition government for decades. Along with these new challenges the offshore oil and gas industry will have its work cut out to deliver its industry messages to a new generation of politicians who think cleaner, greener and have little knowledge of the industry. It's going to be a very busy time for all of us!

For further information, please email Rona Macdonald at rmacdonald@oilandgasuk.co.uk.

NRB process working, but challenges remain

by Jessica Burton, health, safety and employment issues manager, Oil & Gas UK



“Not required back” (NRB) has been an emotive issue for the offshore industry for many years. The practice, whereby the duty-holder of an installation, represented by the offshore installation manager (OIM), can require the removal of any persons where this is considered necessary, has historically been a highly contentious subject. Of particular concern to the industry were the wider perceptions which existed around NRB, in particular the belief that individuals raising safety concerns could risk retaliatory action from management.

In 2004, UKOOA made a first attempt to resolve the situation by creating a set of guidelines outlining a formal process for addressing the practice of NRB. Despite industry efforts, this policy failed to get trade union endorsement and as a result was not formally or publicly launched.

Unhappy with the lack of an agreed process, Oil & Gas UK picked up the issue at the beginning of last year and agreed to review the existing guidelines. In order to develop new and improved guidelines, a wide cross section of stakeholders were interviewed to inform the preparation of a first draft. Following this, a series of further consultations with the Oil & Gas UK Board and Councils, trade unions and

the International Association of Drilling Contractors (IADC) were held until a final version of the guidelines, endorsed by all parties, was agreed. The new guidelines were launched at a Step Change Safety Representatives Forum in February 2009, followed by a series of roll out events aimed at HR managers, OIMs, operation managers and the workforce. The new guidelines became effective on 31 March 2009. They were received positively by the industry and in the media, as well as being recognised as an important step in the HSE’s KP3 follow-up report. Despite this industry wide buy-in, Oil & Gas UK has recently been made aware by the trade unions of a small number of cases where it would appear that the guidelines have not been followed. Specifically, written reasons for an individual being removed from an installation were allegedly not provided to the employer or the individual concerned. In accordance with the process outlined in the guidelines, these suspected cases are being investigated by Oil & Gas UK’s chief executive and health and safety team.

To raise the guidelines’ profile across the industry and ensure that the fundamental principles are being upheld, Oil & Gas UK has asked its Council members to confirm with their offshore management and

HR departments that they are aware of the guidelines, that they are complying fully with them as part of their standard procedure and most importantly, that they know they have to provide written reasons for the permanent removal of any individual from an offshore location.

When the guidelines were finalised, it was agreed that they should be reviewed after 12 months. This review process is now in its final stages. Interviews were carried out with employers, unions and the regulator earlier this year and Oil & Gas UK is currently awaiting the results. We will continue to commend the guidelines to our members, and are committed to working with the trade unions to discuss any specific concerns which arise.

The guidelines can be found on Oil & Gas UK’s website at the link below. Oil & Gas UK has also produced a workforce handout, video podcast and flow chart which explain the guidelines. These can be found at the same link:
www.oilandgasuk.co.uk/removal_of_contractor_personnel_offshore.cfm

Decommissioning market offers opportunities for UK supply chain

by Brian Nixon, chief executive, Decom North Sea



Current regulations require offshore assets to be decommissioned at the end of their economic or productive life. With this inevitability, there is growing awareness in the industry of the urgent need to secure and maximise economic benefit from the huge workload facing the North Sea over the next few decades.

This awareness resulted in the formation of an industry steering group which met over the course of 2008/2009 to determine how best to stimulate and support the development of the decommissioning supply chain. The demand for a dedicated North Sea decommissioning forum to enhance knowledge transfer and ensure collaborative activities was confirmed by this steering group as one of a number of recommendations in their concluding report. The establishment of Decom North Sea (DNS) is a direct result of this industry recommendation.

The latest market projections agree that the first major lump of decommissioning activity in the North Sea is forecast to ramp up quickly within the next year or two. This supports the advice received from the industry steering group and confirms that now is absolutely the right time for Decom North Sea to begin its work with the supply chain, and to stimulate the preparation, collaboration and innovation needed to secure this vital market opportunity.

It is important to stress that Decom North Sea has no ambition to accelerate the rate of decommissioning. However, the new organisation does have ambition to stimulate the rate of innovation, collaboration, preparation and learning, and to ensure a vibrant, competent and competitive supply chain able to support and benefit from the forecast £24-30 billion of expenditure over the coming years.

Decom North Sea also aims to help grow capacity and capability, promote and showcase key strengths, and, importantly, address gaps or weaknesses identified in the ongoing analysis of the supply chain.

The new organisation will focus on working closely with operators and the supply chain to encourage greater collaboration and innovation, and more effective transfer of learning and experience from past and current projects. We are promoting the vision of a win-win opportunity for the industry where operators can understand the key strengths and capabilities of the supply chain and how best to access them, and where the supply chain can understand the operators' challenges and have the opportunity to develop solutions and secure this important business.

We believe that some of these aims can be achieved at least in part from the concept of packaging a number of decommissioning

projects together, to provide a stronger basis for preparation and possible investment in new equipment, people, facilities, joint ventures and similar.

Decom North Sea has a very specific role in the oil and gas industry, namely growth and development in the decommissioning supply chain. We recognise the important work underway by other industry associations including Oil & Gas UK and close alignment with these partner organisations is essential. An example of this close alignment is this year's decommissioning conference in early October, which will be hosted jointly with Oil & Gas UK. The two day event will explore perceptions of the decommissioning market place, look at lessons learned and future opportunities, assess existing contracting strategies and take a closer look at the decommissioning supply chain.

Decom North Sea is keen to be truly representative of the whole decommissioning supply chain and is actively encouraging engagement and membership with companies across the whole of the UK.

To book your place on the decommissioning conference, please visit the Oil & Gas UK website at www.oilandgasuk.co.uk.

Preparing for the next big step change

by Gordon Ballard and John Forrest, co-chairs of Step Change in Safety

Making the UK the safest place to work in the worldwide oil and gas industry



The Step Change in Safety initiative has been a great success. Formed in 1997, it contributed greatly to the industry's 70 per cent reduction in the combined fatal and major injury rate over the last ten years.

The number of workers suffering work-related injuries that keep them away from work for more than three days has reduced by 60 per cent over that period; and the number of major and significant hydrocarbon releases, which are the potential precursors to a major accident, have reduced by 46 per cent in the last seven years.

However, these numbers have started to stagnate. Hydrocarbon release figures for example, have levelled off in recent years and it will now need another significant step change to see further improvement in the industry's health and safety record. Step Change in Safety will play a pivotal role in defining how we move forward. It is of vital importance that the industry understands how improvements can be delivered and the challenges and barriers that stand in the way.

In March this year Step Change in Safety published its Strategic Plan 2010 - 2015 which sets out the direction of its work for the next five years. It was presented to oil and gas

industry senior leaders at the Step Change in Safety Leadership Day on 24 March.

Why have a five year strategic plan?

The key to success is to focus our efforts on the areas that will deliver a sustainable improvement in our industry's health and safety performance. The strategic plan outlines the road map for delivering those improvements. It sets out ways in which we intend to tackle the challenges. As a tripartite body, representing the workforce, regulator and employers, Step Change is committed to involving everyone in this journey to health and safety improvement.

Our core work is broken down into three strategic areas: recognising hazard and reducing risk, personal ownership for safety and asset integrity. Underpinning these are the common themes of leadership, communication, cooperation and workforce involvement. To help us focus our efforts on the areas that we believe will deliver a sustainable improvement in our industry's health and safety performance, we have set ourselves six ambitious goals:

- Our industry has the competence to identify hazards and ensure that risks are properly controlled

- We will have strong and sustainable leadership in health and safety
- Our workforce will be fully engaged in health and safety
- We will raise standards and continually improve our health and safety performance
- Asset integrity issues will be effectively managed across our industry
- Health and safety issues will be effectively communicated across our industry

Although the strategic plan covers the next five years, our goals represent longer-term ambitions which we believe are key if the UK oil and gas industry is to become the safest in the world. To ensure we remain focussed and work on the right things we have developed a set of specific strategic objectives beneath each goal. By focusing our efforts on delivering these objectives we will move towards our long-term goals.

How will we measure success?

One of the challenges facing Step Change in Safety is defining how we measure success. We will use a selection of statistical key performance indicators as an overall measure of the effectiveness of our work. We will focus our efforts on the selection and development of both leading and lagging indicators that will allow us to evaluate progress towards our objectives and goals. Some of our goals and objectives do not lend themselves easily to measurement of success. Where this is the case we will place the emphasis on clearly defining 'success criteria' for our activities. The challenges we face in measuring success will not deter us from tackling important issues which we believe will lead to a sustainable improvement in the industry's health and safety performance.

Our strategic vision is an ambitious one, but it represents the next big step towards an industry safety culture that is second to none. Cooperation and participation across our industry is critical to success. We invite you to join and support us on this important journey.

For a copy of the strategy document, please visit http://stepchangeinsafety.net/stepchange//SingleItem_Resource.aspx?ID=7550.

Feature Article

Data managers make a difference in the UK

by Malcolm Fleming,
chief executive,
Common Data Access
Limited (CDA)



Often the tasks done away from the public eye with a low profile and little public recognition are of huge value to an industry's operations. Data management in the UK oil and gas industry is one such example. The importance of preserving and managing data gathered from drilling wells and seismic activity for future reference and analysis should not be underestimated. Even where technical or economic conditions might hinder the immediate development of any oil and gas discovered or where exploration is unsuccessful, the information could prove to be invaluable for a geo-scientist revisiting it with a fresh eye in the future. Moreover, it's crucial that future explorers know exactly where previous wells have been drilled so that they may operate safely.

Common Data Access Limited (CDA) is the industry's shared data management service. It was created on the premise that collaboration across the industry can markedly improve efficiency and help to raise exploration success and recovery rates on the UK Continental Shelf (UKCS).

This year, CDA is 'flying the flag' for data management and raising its profile in three ways: as an activity which can significantly improve operating efficiency and safety, as a process in which good practice and experience

is worth sharing, and as a career option worth professional accreditation.

So how is CDA aiding collaboration between UK oil and gas companies to improve efficiency and safety? Firstly, CDA runs the Well DataStore, the largest collection of digital well report and log data in the world in which more than fifty UKCS operators participate, and the Seismic DataStore which holds data for one thousand seismic surveys and rising. CDA also manages DEAL (www.ukdeal.co.uk), the single index and directory for well, seismic and other data for the UKCS.

The expansion in the number of companies participating in the Well and Seismic DataStores and the advent of the 26th licensing round resulted in the highest ever number of data downloads in the first quarter of 2010, with 197 seismic surveys and 180,982 items of well data accessed.

Not only does using the DataStores make complying with government regulations and honouring obligations to non-operating partners much easier, the fact that the data is also quality-controlled and stored in one place means substantial and tangible business benefits, enabling better decision-making, lower storage costs and less time spent by specialists searching for and 'fixing' data.

Safety is also improved: the collection, quality control and publication of information on wells and other infrastructure reduces the risks of accidents in oil and gas operations as well as in the fishing industry.

Secondly, until recently, the UK lacked a formal network for data managers but CDA is now making waves in promoting the sharing of good practice in data management as well as in the sharing of data itself. In March it held the first in a programme of events aimed at bringing data managers together to exchange ideas and experiences and to explore possible improvements in practices.

The workshop was attended by over 50 delegates from a range of oil and gas companies, the Department for Energy and Climate Change, the Norwegian Petroleum Directorate and the Expert Center for Information Management. The attendees benefited from the opportunity to explore topics including electronic data management, the exchange of data, ways of benchmarking performance, assessing and certifying competency and quantifying the value of good data management.

Thirdly, CDA recognises that integral to improving the recognition of data management as a central part of oil and gas operations is raising the profile of those with expertise in this area. In contrast to most other oil and gas related disciplines, there is currently no benchmark against which to assess and certify competency in data management. CDA is therefore working with OPITO – The Oil & Gas Academy to determine the best way for data managers to gain accreditation in their valuable discipline.

These projects are great examples of the industry taking action through CDA to sharpen competitiveness in this mature province. To find out more about CDA, visit www.cdal.com.

A Brave New World

by Paul Dymond,
operations director,
Oil & Gas UK



The development of offshore windfarms across large areas of the UK Continental Shelf is a key element in the government's move towards a low carbon economy. Although much of the current vision was set by the previous administration, the size and priority of this vision will not be diminished by the new coalition.

There have been three rounds of offshore windfarm leasing. The first two were well inshore, in territorial waters, with plans to provide one and seven gigawatts (GW) of power respectively. Round three is much more extensive in scope and pace, aiming to put on stream 25 GW by 2020. To achieve this, the Energy Act 2004 gave the Crown Estate the responsibility and power to create a pipeline of projects and provided it with the ability to incentivise activity by being a direct investor in these developments.

In January 2010 round three set up nine exclusive offshore wind development zones: Moray Firth, Firth of Forth, Dogger Bank, Hornsea, Norfolk, Hastings, Isle of Wight, Bristol Channel and Irish Sea, with single consortia having exclusive rights within each zone. The zonal partners will be responsible for establishing a series of projects which will deliver power to offshore collecting stations run by another organisation which, in turn, is responsible for delivering the power into the national grid onshore.

Four of these zones overlap with existing petroleum production licences: Hornsea in the Southern North Sea stands out as the

most affected, with Moray Firth, Dogger Bank and Norfolk potentially being partly affected. Because of this potential overlap of interests, the question of relative rights arises. The advice that we have received is that the process requires all affected parties to be involved in effective consultations that should both identify and address the impacts on existing rights (and obligations) brought about by the new development. All petroleum licensees affected have a right to be consulted, not just the block operator, and the wider industry (Oil & Gas UK) and relevant government bodies (e.g. DECC) should also be involved in this process.

Although the Crown Estate has granted exclusive rights to the zonal consortia, they will only grant licences for individual windfarm projects after they receive development consent from the appropriate planning authority. For England and Wales this was to have been the so-called Infrastructure Planning Commission (IPC) which was set up by the last government. The IPC was bound to operate under the policies set out in National Planning Statements which were out for consultation just before the General Election. The new coalition government has made it clear that it will abolish the IPC and replace it with a different system, but most likely the function and process will be similar. In Scotland, the authority is the Scottish Government's Marine Management Organisation, but again the intent is comparable.

It is important that this potential overlap of interests should be recognised early on, with

steps being taken to avoid conflict where ever possible. A key response is to engage effectively in the prescribed consultation process, identifying issues and the best way to address them. This will require the development of relationships between Oil & Gas UK and the relevant trade associations (Renewables UK and Renewables Scotland) with the aim to enhance processes, develop mutual understanding and establish areas of co-operation and shared interest. Oil & Gas UK intends to keep affected oil and gas licensees informed of activities in all of this and, where appropriate, will facilitate involvement of operators and other licensees.

We have already hosted a small workshop with the Hornsea developers and been involved in another, more broad-ranging one with those in the Dogger Bank zone. We intend to extend this into a larger workshop at the Aberdeen Exhibition Centre in the next few months. There are several issues needing further discussion and consideration which include: competition for and pressure on marine space, ensuring adequate consideration of ongoing activities and developing a framework that recognises the relevant needs of different users; adopting an informed consultation process to define the restrictions that may affect seismic surveying and drilling operations; and defining suitable criteria for the safe operation of helicopters and marine support vessels. There are also areas of co-operation that should be explored, including: data mapping; shared logistics; overlaps of technology and suppliers; and the possibility of offshore power supplies.

It is important that the new vision for offshore wind power is not founded on unrealistic expectations and poor transition planning, or it is unlikely to succeed. The target of 25GW of capacity under round three to be installed by 2020 is, by any standards, ambitious. Oil and gas provides ongoing economic activity that can maintain a secure, unsubsidised energy supply for the UK while the renewables sector becomes established. It will also maintain a strong platform of contractor and supplier opportunities from which transferable skills and capacity can develop, until well past the 2020 targets.

Marine planning requires joined-up thinking

by Mick Borwell,
environment director,
Oil & Gas UK



In the December 2009 issue of Wireline, Mick Borwell, Oil & Gas UK's environment director, outlined the rationale behind the Marine and Coastal Access Act 2009 and its potential impact on oil and gas activities on the UKCS. Since then, the Marine (Scotland) Act 2010 has also come into force and here he takes a look at how the two regimes are being implemented.

The UK government and the devolved administrations of Scotland, Wales and Northern Ireland have a shared vision for 'clean, healthy, safe, productive and biologically diverse oceans and seas', but as might be expected, the Scottish and English approaches to implementation are not the same. Both the Marine and Coastal Access Act 2009 and the Marine (Scotland) Act 2010 enshrine these concepts in legislation but in different ways. Is this important? Possibly.

These Acts have the potential to change fundamentally the way that all activities in the marine environment are managed in relation to each other and to nature conservation. Implementation is complicated by the fact that oil and gas matters are 'reserved' and under the control of the Westminster government. The Acts introduce new powers for marine planning; licensing of marine activities; development of Marine Conservation Zones and new controlling bodies in the form of the Marine Management Organisation for English and Welsh waters and Marine Scotland.

Logically, the process of managing activities in the marine environment would start with government clearly stating its policy expectations - how much oil and gas; how much renewable energy; how much tourism; how much conservation etc – and which would take precedence in the event that two users wanted to use the same space. This information would be used to develop marine plans, which in turn would be used by regulators to take licensing decisions and to develop a network of marine protected areas.

Unfortunately the processes to determine policy, establish marine plans and identify conservation areas are happening partly in parallel, partly in the wrong order and out of step across the north / south border.

Marine policy statement

For example, a key step in joining these elements together and to ensure joined up thinking across governments, is the adoption of a marine policy statement. The stated aim of the policy statement is to 'provide the high level policy context within which marine plans will be developed and set the direction for marine licensing and other relevant authorisation systems'. However, the statement will not be published until April 2011, at the earliest, by which time the location of Marine Conservation Zones (in England) and Marine Protected Areas (in Scotland) will have been decided.

Marine planning

The role of marine plans is to set out how the marine policy statement will be implemented in specific areas. In English waters, plans will be developed within Marine Plan Areas and the planning authority will look to the marine policy statement for detailed guidance. In Scotland, plans will be developed within marine regions but will be led by a National Marine Plan that sits between the marine policy statement and the regional plans. The Scottish planning authority is, therefore, looking for a less detailed Marine Policy Statement that will not overly constrain the National Marine Plan. We can't be sure where compromises will be made but what we do know is that if the Scottish government does not sign up to the joint marine policy statement, it will lose the powers to plan and designate Marine Protected Areas in the waters from 12 to 200 nautical miles off the Scottish coast. Confused? If not, you soon will be!

Marine Protected Areas

The two acts implement national and international commitments to establish a network of Marine Protected Areas, which will include already designated Special Areas of Conservation. In England, the areas designated under the act are known as Marine Conservation Zones and in Scotland, Marine Protected Areas. The name is not the only difference. The process to identify MCZs, in the interests of inclusion and transparency, is 'bottom up' and led by local stakeholders. English waters have been divided into four regions in which stakeholder groups are labouring to identify habitats and species that should be protected and to make recommendations by April 2011. In Scottish waters the opposite approach has been taken and Marine Scotland will identify Marine Protected Areas that will then be subject to consultation.

Whatever the process, the industrial users of the marine environment are deeply concerned that the network of marine protected areas will be designated before either the marine policy statement or plans are in place.

Oil & Gas UK as a stakeholder

There has been no mention of our regulator, DECC, in this complex picture. Although DECC will retain the licensing role for oil and gas, they must also ensure that the marine policy statement gives appropriate priority to maximising hydrocarbon production from the UKCS.

Oil & Gas UK has been intimately involved with the stakeholder processes during development of the Marine Acts and is now participating in the work on Marine Protected Areas and marine planning. We take every opportunity to promote the environmental performance of the industry on the UKCS and its economic performance, and are an active member of the Sea Users and Developers Group.

Responding to consultations is an effective tool in promoting our messages and since the end of 2009 we have provided input to six consultations on these issues. The responses are available on the Oil & Gas UK website. We will give updates in more detail at our environmental seminar on 18 November. To book your place, go to www.oilandgasuk.co.uk/events.

In the spotlight

Robin Davies, Subsea 7's global vice-president, business improvement, has recently been appointed as the new contractor co-chair of Oil & Gas UK. In his first interview for Wireline, he outlines his vision for the UKCS, the challenges that will have to be overcome and the role that Oil & Gas UK will play in making the UKCS a centre of excellence.



Q We still have a 25bn boe prize in the UKCS that will require a collaborative approach to win. What, in your view, are the old paradigms of working that need to be challenged?

We will need to see change in a number of working practices and ways of thinking amongst the stakeholders in the oil and gas industry. Also, we need a productive and co-operative relationship with government and the regulators to ensure that the fiscal and regulatory framework recognises the maturity of the basin and the pace that is required to exploit these reserves given our ageing offshore infrastructure. Notwithstanding this, we must maintain our focus on safety as a top priority. Likewise, we need to challenge the bespoke nature of our industry and maximise the use of such things as standard contracts, industry liability agreements, standard infrastructure access agreements and collaborative working relationships in order to reduce costs and maintain the overall rate of development.

Q How easy do you think it will be for the industry to change its ways of working?

It will require the industry and government to embrace change at all levels. This will not be easy for the broad church that is our industry but we must sustain our future by being able to challenge the working practices that have built up over the last 20 years and be ready to adopt faster, simpler, and more standard approaches.

Q How can Oil & Gas UK help?

First of all, Oil & Gas UK must continue to lead the safety agenda and to support the Step Change initiatives. Secondly, we must engage constructively with central, national and local government to secure the future for the UKCS and to represent the industry's collective interests. It is imperative that we communicate with the many new members at Westminster to ensure that they understand the economic impact of the oil and gas industry, both from a tax contribution and an employment perspective. Thirdly, we need to engage with our own members to drive the twin objectives of maximising the UKCS reserves recovery (thereby sustaining the UK's security of supply) and to provide a sustainable future for our supply chain.

Q What do you see as the main hurdles to overcome in building a sustainable supply chain for the future?

It is imperative that the UKCS is seen by international investors to be a competitive area for investment, notwithstanding the maturity of the basin. Likewise, the UK needs to remain a competitive and attractive place to undertake business and it is important that the government focuses on how business can provide the growth needed to sort out the financial challenge that the UK faces. Such growth also needs to be export led and again we need to focus on how we can provide a competitive environment for UK exporters to supply other oil and gas markets around the world.

**How can the UK remain a major player in the global oil and gas market?**

The UK is recognised globally as being at the forefront of safety leadership and management. We must make sure we maintain this position whilst also continuing to demonstrate our wealth of experience and expertise of upstream oil and gas operations to our global peers, including taking on board any relevant lessons learned from the recent Gulf of Mexico incident. At Subsea 7, we have 17 global centres of excellence; many of these centres are headed up by personnel in our Aberdeen office, providing expertise and sharing lessons learned to our worksites across the globe. Through the skills, innovation and experience of our people and the high and uncompromising safety standards demonstrated in this region, the UK can continue to be a major player in the global oil and gas market for many years to come.

**What action do you think it will take for the industry to avoid the boom-bust cycle that can result from roller coaster oil prices?**

The economic tensions created by a cyclical industry such as oil and gas are not easy to manage through either boom or bust periods. However, the industry could look to manage the cyclical nature of the market through longer term collaborative frameworks which accommodate variations in commodity prices and the cost inflationary pressures that ensue.

**In what areas would you like to see Oil & Gas UK do more?**

I am particularly keen that we do more to engage with central, national and local governments to ensure that the future of oil and gas in the UKCS is sustained and that the tax, employment and export benefits of the oil and gas industry are properly understood by the key legislators. Equally, we need to engage with our supply members to ensure that we are fully representing their interests through Oil & Gas UK.

Earlier this year, Oil & Gas UK welcomed four new representatives onto its Board. Here we ask them what they see as the main challenge for the organisation over the next five years.

Susan Elston, managing director offshore and remote sites, Aramark Limited:

“As we enter a new phase for the oil and gas industry, Oil & Gas UK will be challenged in raising the profile of the industry in terms of its importance both to the economy and equally to a sustainable provision of energy. We will need to broaden the level of interface with all stakeholders to ensure there is greater understanding of the contribution this industry makes to the way we live.”

Gordon Ballard, chairman, Schlumberger Oilfield UK plc:

“The main challenge for Oil & Gas UK will be to do everything it can to ensure strong oilfield activity in the UKCS. Particular areas of focus should be lobbying government for the best possible business environment, offering maximum encouragement to new entrants, and working with all stakeholders to ensure easy access to infrastructure.”

John Pearson, managing director, AMEC Europe & West Africa:

“As an industry, we will have to safely manage a period of high capital project activity concurrent with a very real need to drive operating costs down. In controlling operating costs, we will need to focus on real, sustainable solutions that will stand the test of time, and not hang our hat solely on demand management or taking advantage of market downturns. The required responses will have to deliver real efficiencies, and will require a powerful collaboration by the whole supply chain, surely the essence of Oil & Gas UK. That’s something I’m personally keen to be a part of.”

Paul Warwick, president, UK and West Africa, ConocoPhillips:

“Oil & Gas UK’s challenge is to ensure the next UK government fully appreciates the importance of an appropriate EU and UK regulatory and fiscal regime for a maturing North Sea. There is a balance to be struck between climate initiatives, energy security and economic competitiveness. Natural gas can meet all three challenges, especially when it displaces unabated coal and supports intermittent power generation. Policies need to be developed promoting the continued exploitation of the UKCS and the development of appropriate import infrastructure.”

Dates for your diary



September:

Aberdeen Breakfast Briefing

Beach Ballroom, Beach Promenade, Aberdeen, AB24 5NR
7.00am – 9.00am

16 June and 22 September:

London Breakfast Briefing

Herbert Smith, Exchange House, Primrose Street, London
8.00am – 10.00am

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London events also sponsored by

Herbert Smith



10 June:

Safety Seminar

Aberdeen Exhibition and Conference Centre, Aberdeen, AB23 8BL
9.00am – 5.00pm

2 September:

Subsea Seminar

Aberdeen Exhibition and Conference Centre, Aberdeen, AB23 8BL
9.00am – 5.00pm

18 November:

Environmental Seminar

Aberdeen Exhibition and Conference Centre, Aberdeen, AB23 8BL
9.00am – 5.00pm

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Other events and important dates:

30 June:

Management of Emergency Response Workshop

Aberdeen Exhibition and Conference Centre, Aberdeen, AB23 8BL
9.00am – 5.00pm

5 - 7 October:

Offshore Decommissioning Conference 2010

Doubletree by Hilton, Dunblane Hyrdro, Perth Road, Dunblane, FK15 0HG

3 November:

PILOT Share Fair 12

Aberdeen Exhibition and Conference Centre, Aberdeen, AB23 8BL
7.00am – 4.00pm

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4 November:

Oil & Gas UK Awards '10

Aberdeen Exhibition and Conference Centre, Aberdeen, AB23 8BL
7.00pm - late

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25 November:

Joint Annual Oil & Gas UK and Westminster Energy Forum Seminar

Norton Rose, 3 More London Riverside, London, SE1 2AQ
9.00am – 1.00pm

And finally...



Sweeping to success

Oil & Gas UK might soon have a European Champion amongst its staff. Events manager Louise Wood and her mixed curling team won the Scottish Mixed Curling Championships in March 2010. This success qualified the team to represent Scotland in the European Mixed Curling Championships which are being held in September 2010 in Glasgow. We wish her all the best of success!

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Editor: Trisha O'Reilly, Oil & Gas UK
Designed by: Fiona Bridgeman, Oil & Gas UK
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June 2010