



# **Post Implementation Review of the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015**

July 2020



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## INTRODUCTION

In accordance with Regulation 16 of the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (“the Regulations”) the Secretary of State (SoS) is required to carry out a Post-Implementation Review (PIR) of the Regulations by 19 July 2020. The Department for Business, Energy and Industrial Strategy (BEIS, also referred to as “the Department”) has carried out a review and this document sets out the conclusions of the review.

The review was required to:

- (a) set out the objectives intended to be achieved by the regulatory system established by the Regulations;
- (b) assess the extent to which those objectives are achieved; and
- (c) assess whether those objectives remain appropriate and, if so, the extent to which they could be achieved with a system that imposes less regulation.

The Regulations:

- implement the requirements of the Directive on the Safety of Offshore Oil and Gas Operations (2013/30/EU) (“the Directive”) relating to the grant and transfer of licences, and certain environmental matters relating to emergency response;
- make a provision for the Licensing Authority (LA)<sup>1</sup> in exceptional circumstances such as the dismissal of an operator, to appoint operators in respect of those licences; and,
- cover financial liability and require licensees to provide to the Competent Authority (CA), information relating to financial provision for potential liabilities which may derive from their offshore oil and gas activities. The Offshore Safety Directive Regulator (OSDR), which is comprised of the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) and the Health and Safety Executive (HSE) are the CA with regard to these Regulations. The role of the CA is to oversee industry’s compliance with the Directive.

The Regulations apply in Great Britain and outside of Great Britain in relevant waters (that is, the territorial sea adjacent to Great Britain and any area designated by order under the Continental Shelf Act 1964). However, they only make material changes in relation to matters within the territorial sea and on the continental shelf.

The Regulations require the Oil and Gas Authority (the OGA) to take account of certain conditions before granting or consenting to the transfer of a licence to search, bore for or get petroleum granted under the Petroleum Act 1998 (or the Petroleum (Production) Act 1934). They also allow for licensees to appoint operators to carry out functions under those licences.

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<sup>1</sup> We will refer to the LA in this report as the Oil and Gas Authority (OGA).

The Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) (Amendment) Regulations 2015 implement those provisions of the Directive that relate to the remaining environmental obligations and the oil pollution aspects of internal emergency response plans. These Regulations are being reviewed separately by OPRED. OPRED's report on its review is due to be published by 19 July 2020.

## **BACKGROUND**

### **The process of the implementation of the Directive in the UK**

In 2011, the European Commission (EC) published proposals for a European Directive to strengthen the EU offshore oil and gas regulatory system. The UK argued strongly for the Directive, to enable it to build the new requirements into its existing regime.

In accordance with the Directive an intervention was necessary to establish an offshore CA, to amend existing legislation or implement new provisions and to introduce administrative measures to fully transpose the Directive within the required timeframe. The Directive also created obligations on the OGA and CA in relation to the appointment and regulation of operators, who carry out functions under a licence. The UK's offshore oil and gas legislation needed to be updated to simplify definitions, fill gaps, reduce the stock of regulations and to bring emerging energy technologies within the scope of the legislation.

The UK's preferred legislative option was to integrate the majority of requirements from the Directive into existing legislation and incorporate new provisions where necessary. The bulk of the requirements were implemented via the Offshore Installations (Offshore Safety Directive) (Safety Case etc.) Regulations 2015 which replaced the Offshore Installations (Offshore Safety Directive) (Safety Case) Regulations 2005. The remaining environmental requirements were implemented by amendments to existing regulations.

A formal public consultation on the transposition of the Directive was conducted in 2014. Additionally, a significant informal consultation with industry, trade unions and other stakeholders, comprising open workshops, conferences, and monthly meetings, took place prior to and following the formal public consultation.

There were 65 responses to the formal public consultation which the Department of Energy and Climate Change (DECC, now BEIS) and the HSE considered to be a good representative sample from the sector. Trade bodies such as Oil and Gas UK (OGUK) and the International Association of Drilling Contractors gathered detailed views from their members before submitting their collective responses. Responses were also provided by trade unions, including RMT and UNITE, and the Scottish TUC. Health and safety professionals and verification bodies also contributed their responses.

### **The Licencing Authority (OGA) and the Competent Authority**

The OGA's role is to regulate, influence and promote the UK oil and gas industry in order to maximise the economic recovery of the UK's oil and gas resources. The OGA is an arm's length body, whose responsibilities include the granting of petroleum licences. The Petroleum Act 1998 vests all rights to the nation's petroleum resources

in the Crown, but the OGA can grant licences that confer exclusive rights to ‘search and bore for and get’ petroleum. The Directive’s requirements relating to the grant and transfer of licences are implemented through the Regulations.

OPRED is responsible for regulating environmental and decommissioning activity for offshore oil and gas operations in the UK and implementing offshore environmental legislation. For the purposes of the Regulations OPRED is part of the OSDR along with the HSE. The HSE’s responsibilities include the implementation of health and safety legislation for offshore oil and gas operations.

The OSDR is the CA responsible for overseeing industry compliance with UK law which implements the health, safety, and environmental requirements of the Directive. The CA also undertakes related functions such as accepting, assessing, approving, and inspecting relevant Safety Cases, Oil Pollution Emergency Plans, Well Notifications and other notifications. The OSDR also has responsibilities relating to the reporting of incidents, intervention planning and investigation work.

## **Industry**

The UK offshore oil and gas industry is important for energy security, jobs and the economy. Around three-quarters of total primary energy demand in the UK is met by oil and gas<sup>2</sup>. The offshore oil and gas industry has grown, evolved and adapted for over 50 years and will continue to play an important role in the energy transition for years to come. Oil and gas are projected to provide just over two-thirds of our total primary energy demand in 2035<sup>3</sup>. The oil and gas sector supports around 280,000 jobs across the whole of the UK. The UK supply chain exports turnover in 2017 was £27bn. The UK Continental Shelf (UKCS) has 7800+ wells drilled, 20,000+ Kms of pipeline, 320+ fixed installations and 250+ subsea systems<sup>4</sup>.

The UKCS is a diverse and well-established basin, which attracts investment from across the globe. In the last few decades, the main investment came from the “super majors”. More recently it has included a mix of super majors and small to middle capitalisation and private equity backed companies which make up over three quarters of operators<sup>5</sup>.

## **SCOPE OF THE POST IMPLEMENTATION REVIEW**

This PIR assessed the extent to which intended objectives had been achieved and whether those objectives (as set out on page 3) remained appropriate and could be met with less regulatory burden on businesses. In carrying out the review the Department had to consider how the Directive has been implemented in the other EU member states.

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<sup>2</sup> Digest of UK Energy Statistics (DUKES) 2019 - <https://www.gov.uk/government/collections/digest-of-uk-energy-statistics-dukes>

<sup>3</sup> Digest of UK Energy Statistics (DUKES) 2019 - <https://www.gov.uk/government/collections/digest-of-uk-energy-statistics-dukes>

<sup>4</sup> Oil and Gas Authority (information provided directly to BEIS)

<sup>5</sup> Oil and Gas Authority - <https://www.ogauthority.co.uk/about-us/investing-on-the-ukcs/>

The objectives of the Regulations were set out in the Impact Assessment<sup>6</sup> (IA), which focused on fully transposing the Directive requirements into domestic legislation by July 2015 in a way that:

- minimised the adverse impact of any changes on the oil and gas industry and UK interests by adopting the least burdensome approach;
- maintained current levels of protection for safety and the environment;
- embedded the new requirements so that they further enhanced the UK's world class offshore oil and gas regulatory regime; and
- was open and transparent and ensured consistency with current regulations.

The review clause in the Regulations required that BEIS reviewed regulations 3 to 13 of the Regulations. These are:

- Regulation 3. Grant and transfer of offshore licences
- Regulation 4. Offshore petroleum operations
- Regulation 5. Appointment of operators by offshore licensees
- Regulation 6. Appointment of operators by licensing authority
- Regulation 7. Capacity of operators
- Regulation 8. Termination of appointment of operators
- Regulation 9. Obligations of the offshore licensee
- Regulation 11. Requirements to provide information
- Regulation 12. Sharing of information
- Regulation 13. Revocation of licences
- Regulation 13A. Fees

## **Cost – Benefit Analysis**

The scope of the financial burden on business as a result of the Regulations falls below the £5m de minimis threshold. A proportionate approach was, therefore, undertaken with this PIR. This review has sought to establish whether the Regulations have broadly achieved their objectives and whether there have been unintended impacts. The approach to data and information collection was designed to achieve the above aims without adding a disproportionate burden on industry or other organisations.

## **OVERVIEW AND FINDINGS OF THE PIR**

### **What were the policy objectives of the measure?**

The policy objectives of the Regulations were to:

- implement requirements of the Directive in regard to licensing and operator appointment and financial liability;
- minimise the adverse impact of any changes on the oil and gas industry and UK interests by adopting the least burdensome approach;

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<sup>6</sup> Impact Assessment on legislation.gov.uk - <https://www.legislation.gov.uk/uksi/2015/385/impacts>

- embed the new requirements so that they further enhanced the UK's world class offshore oil and gas regulatory regime; and
- be open and transparent and ensure consistency with current regulations.

### **What evidence has informed the PIR?**

In order to assess whether the Regulations were achieving their objectives BEIS collected data from oil and gas industry stakeholders, the OGA and OPRED<sup>7</sup>.

### **Online survey of industry**

BEIS gathered evidence from industry through an online survey (see Annex A)<sup>8</sup> designed by BEIS in collaboration with OPRED and the OGA. It asked questions covering a broad range of topics including licensing, organisation type and size, financial liability provision and understanding of the Regulations.

The survey was aimed at:

- licensees – companies which apply for a licence which are required to provide the OGA with certain technical and financial information, and the CA with certain environmental and health and safety information; and
- operators which carry out work on behalf of licensees, who are required before authorisation of commencement of works to provide environmental and health and safety information to the CA.

The industry population consists of around 160 operators and licence holders, and many more sub-contractors and subsidiaries. Using OPRED's stakeholder contact list BEIS contacted 235 companies to invite them to complete the survey. Some operators and licence holders were no longer operating in the UKCS or were not contactable, meaning their views on the Regulations could not be obtained.

The invitations to complete the survey were sent out on 20 January 2020. The survey was open for four weeks, closing on 18 February, with email reminders sent on 7 and 17 February. OGUK, which is the biggest trade association for the oil and gas industry, advertised the survey to their stakeholders through their newsletter and in meetings.

The survey received 26 responses (11% response rate, based on the number of licensee companies and operators invited to complete the survey) and had a reasonably high question completion rate with only a low number of questions unanswered by a small number of respondents. The respondents consisted of a mix of organisation types (for example, exploration, licence operators, production installation operators and well operators). The majority of responses came from organisations with fewer than 50 employees. There is no reliable information about the composition of the industry population to compare this against, so we are unable to assess how representative of the population the survey data is.

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<sup>7</sup> OPRED's responses, views and comments have been given on behalf of the OSDR

<sup>8</sup> Annex A can be found at the end of this report



## Data received from the OGA

To supplement the survey data and better understand the impact of the regulations on industry, BEIS also requested the following information from the OGA:

- number of licence applications received since 2015;
- number of complaints or appeals about the licensing process since 2015; and
- the fees charged for licence applications since 2015.

The above data was used to compare against the original estimates set out in the IA.

## To what extent have the policy objectives been achieved?

**Implement requirements of the Directive in regard to licensing and operator appointment and financial liability.** The Regulations introduced new concepts and actions that industry needed to follow, especially with the inclusion of well and installation operators within the regime. The key addition to the existing regime was the requirement for all licence co-ventures to be technically capable and competent to properly manage and oversee any operators working on their behalf. The Regulations include these changes and additionally place administrative requirements on the CA and industry. We conclude that this policy objective has been achieved.

**Minimise the adverse impact of any changes on the oil and gas industry and UK interests by adopting the least burdensome approach.** We asked in the industry survey about the level of burden in complying with the regulations. Just under half (46%) of respondents said they thought that the administrative tasks were proportionate. Almost a third (31%) were unsure and just under a quarter (23%) of respondents thought them disproportionate. This suggests that whilst almost half were content, a number of respondents thought the licensing processes posed a burden. Given the low response rate, these survey results should not be interpreted as representative of the whole industry but do give a useful indication.

We do not believe that the Regulations place a disproportionate burden on industry as operators and licence holders would already compile most of the information while applying for a licence or operator submission and they should hold relevant information needed for further submissions. The Regulations have not added significantly to the information that operators and licence holders already provided prior to the introduction of the Regulations.

Prior to the introduction of the Regulations prospective licensees were required to provide relevant technical, financial and environmental information, which also applied to them in their role as Licenced operator. The Regulations required prospective licensees and operators to continue to provide similar information to that previously provided but with the inclusion of relevant safety information, which the OSDR assesses. The technical and financial information provided is assessed by the OGA. This information enables the OGA to ensure that licensees have the necessary capacity for the proposed licence obligations, and that operators are able to show evidence of their capability to undertake the offshore operations for which they are being appointed. The requirements to provide information each time a licensee appoints or changes an operator or applies for a new licence are an important way in

which this capability can be assessed. Given that offshore oil and gas operations are considered a high-risk area, ensuring that operators meet the required standards is essential, and we believe that these requirements are in line with the objectives of the Regulations.

The information provided to the OGA and the CA is essential to ensure that all licence holders and operators understand the requirements expected of them. Whilst there is an understanding that some repetition of information is occurring, it is done so that the OGA and the CA are able to satisfy themselves that they have the most up to date information and are able to make a decision on each licence with correct information. The OGA is legally required to take advice from the CA regarding the environmental and safety capability and performance of all offshore petroleum licence holders and operators before granting a licence or operator appointment. The current process allows the OGA to carry out due diligence in relation to each application as required by the Regulations.

The OGA is considering how modifications to its administrative and IT system which should both increase the internal efficiency of data transfer between the OGA and the CA and improve the flow of information between industry and the OGA, and vice versa.

Having taken into account feedback and considered the objectives of the Regulations, we believe that the current system strikes the right balance between placing an acceptable administrative burden upon industry and ensuring that environmental and safety risks are suitably mitigated.

**Maintain the current levels of protection for safety and the environment.** The Regulations were introduced to implement those provisions of the Directive which relate to the grant and transfer of licences and certain obligations in relation to operators. The obligation to implement the Directive requirements in relation to licences and operator appointments did not significantly change existing practices on safety and environment, but the Regulations did introduce other new requirements, as set out below.

**Embed the new requirements so that they further enhanced the UK's world class offshore oil and gas regulatory regime.**

The Regulations introduced:

- requirements for licensing applicants for Seaward production licences to provide safety information in submissions to the CA, along with the environmental information that was already provided - these are assessed by the OSD; and,
- new provisions governing the appointment of operators, making the role of the operator separate from that of the licensee. The OGA, via the CA, is required to consider both the safety and environmental capacity and performance of the applicant.

Where details cannot be provided at application stage, financial responsibility submissions relating to well operations will be checked prior to commencement of operations, including financial responsibility submissions relating to well operations.

The requirements set out by the Regulations have now become a firmly established part of the licensing and operator appointment process.

**Be open and transparent and ensure consistency with current regulations.** The way the Regulations are implemented in practice is open and transparent. Both the OGA and CA provide various avenues through which the industry may feedback, comment, and raise issues. Additionally, the OGA holds a number of formal groups where issues are discussed with the industry. There are 6 Maximising Economic Recovery UK task forces. Licensing is discussed in the exploration task force and the exploration managers' forum. More detail of the various OGA led industry forums can be found on the OGA's website.

OPRED hosts the OPRED Industry Forum on a quarterly basis which has senior HSE managers from operators attending to discuss regulatory issues and allows industry to raise concerns. With regard to the Regulations, OPRED also engages with the industry around the financial liability provisions for pollution response and compensation.

In the industry survey, we asked what level of understanding there was of the Regulations. In general, awareness about the Regulations was high among survey respondents. Nearly all (88%) of respondents said that they understood why licensing was needed and almost three quarters (73%) of respondents said they had the right level of information to be able to proceed with the licensing process. Over half (62%) of respondents said they knew who to contact with licensing-related queries, with 38% suggesting they did not know or were unsure. Given the low response rate, these survey results should not be interpreted as representative of the whole industry but do give a useful indication.

The OGA makes sure that key information is clearly available for industry. This includes all the guidance and information required to apply for an exploration or production licence, which is set out under the licensing and consents section of the OGA's website, along with the necessary forms. All licensing rounds are announced in the London Gazette. The OGA also publicises licensing rounds widely to the industry via its website and social media.

### **Has the evidence identified any opportunities for reducing the burden on business?**

The PIR has not identified any opportunities for reducing burdens on the offshore oil and gas industry by amending or revoking the Regulations. Although there were some comments the administrative side of submitting applications, we do not believe that the current processes require changing. The Regulations transpose the Directive requirements into UK law for licensing offshore oil and gas operations and the PIR findings confirm that this is still the most effective way to manage licensing and operator appointment.

## **For EU measures, how does the UK's implementation compare with that in other EU member states in terms of costs to business?**

In carrying out the review the Secretary of State had, so far as was reasonable, to have regard to how the Directive was implemented in other EU Member States.

The Directive came into force in 2013. EU countries had to transpose the Directive into national rules and regulations by 19 July 2015, with transitional periods applying for industry until 19 July 2018. The EC has set out to assess and evaluate whether the Directive as implemented has achieved its objectives. It has carried out a consultation on how the Directive is implemented in member states, to be followed by publication of a report, which may enable a comparison of UK implementation with that of relevant EU member states. However, the EC's report is yet to be published and as such, we were not able to draw any comparisons between approaches to implementation, as part of this review.

### **ANALYSIS OF COSTS TO INDUSTRY**

The 2014 IA led by HSE in collaboration with DECC, the Department for Transport and Department for Environment, Food and Rural Affairs, estimated the cost to industry for a number of aspects of the Regulations. The IA also estimated the number of licence and operator submissions the OGA was expecting to receive following the implementation of the Regulations.

#### **Applications**

The IA estimated that there would be approximately 190 new licence applications between 2015 and 2020. The OGA have received 286 new licence applications over this same period, almost a hundred more than expected. The IA also estimated there would be approximately 170 updated submissions between 2015 and 2020. The number of updated submissions received by the OGA in this same time period was 136. Each licensing round attracts different levels of interest from companies as this is influenced by the acreage offered but also by external factors such as oil prices, making estimates difficult.

#### **Cost to industry**

The Department used data collected via our industry survey, and information from the OGA to test the cost assumptions in the IA. We asked respondents to the survey to provide estimates of costs to their organisations based on their experiences. Table 1 shows the median survey responses alongside the original estimates from the IA.

<b>Table 1: Administrative costs to the industry of complying with the regulations</b>		
<b>Costs to industry per submission</b>	<b>Cost estimated in Impact Assessment</b>	<b>Median* cost group from survey</b>
Cost of preparing safety submissions	£15,000 (range £13,500 to £16,500)	£18,000 to £23,999
Cost of updating safety submissions	£1,200 (range £1,100 to £1,300)	£3,000 or more*
Cost of preparing environment submissions	£15,000 (range £13,500 to £16,500)	£6,000 to £11,999
Cost of updating environment submissions	£1,200 (range £1,100 to £1,300)	£3,000 to £3,999
Cost of preparing operator submissions	£15,000 (range £13,500 to £16,500)	£18,000 to £23,999
Cost of updating operator submissions	£2,400 (range £2,200 to £2,600)	£3,000 to £3,999
Cost of providing a declaration of financial liability provision	Not estimated in IA	£2,000 to £5,999
Cost of demonstrating financial liability provision	£4,650 (range £1,300 to £8,000)	£4,000 to £5,999
* Not all respondents provided cost estimates as not all had submitted each form of submission. Medians were calculated for those respondents who had provided an estimate in the survey (between 10 and 22 respondents per median).		
** The median for this cost spanned two groups '£3,000 to £3,999' and '£4,000 or more'		

Table 1 shows the median costs reported by survey respondents for new or updated submissions compared against the costs estimated in the 2014 impact assessment. With the exception of new environment submissions, the median survey costs do appear slightly higher than the original estimates.

Given the level of responses and information held about the industry population, we are not able to say how representative the survey results are of the sector. Additionally, given low numbers we are not able to determine whether the differences between IA estimates and survey medians are statistically significant and, therefore, representative of the sector. Given these limitations, the survey results should be viewed only as an indication of the approximate cost to industry.

It may be that some of the figures are higher than predicted in the IA because the requirement to submit the necessary additional information was a new process.

We also asked respondents about the costs of providing a declaration of financial liability provision and providing a demonstration of financial liability provision. Financial liability provision declarations are fairly light-touch and involve licensees providing written confirmation that the OGUUK guidance has been understood and that sufficient financial liability provision is in place. Financial liability demonstrations are more burdensome than declarations and are required for exploration and appraisal well operations and pre-drilled wells prior to production installations being in place. Demonstrations involve the licensee

providing documentation to show that the correct level of financial liability provision is in place.

The average (median) cost of preparing a declaration of financial liability provision came to between £2000 and £5,999. This cost was not estimated in the original IA and, therefore, we cannot assess whether it is different to what was expected. Some respondents were required to demonstrate financial liability provision and it can be expected that these are more costly as this requires information from all licensees, managing director or board sign off, and signed documentation from insurance brokers. These costs are related to the time it takes industry to collate the information and respond to any requests for clarification. For respondents required to demonstrate financial liability provision the median cost of this reported in the survey was between £4,000 and £6,000. The impact assessment estimated this cost to be between £1,300 to £8,000 with a central estimate of £4,650.

### **Were there any unintended consequences?**

The survey results did not provide strong evidence to suggest that the costs to industry were higher than the initial estimates, although the participation rate means that it is difficult to extrapolate our findings across all industry operators. Additionally, survey respondents generally understood why the regulations were needed. None of the respondents raised any serious issues that would lead us to believe that there were any unintended consequences as a result of implementing the Regulations. We have also not received any feedback from the other communication channels (meetings hosted by the OGUUK and OGA and OGUUK's newsletter).

### **NEXT STEPS FOR THE REGULATIONS AND CONCLUSION**

We have received no information during this review which suggests any unintended consequences or that the Regulations need amending. The OGA has received no complaints or appeals with regard to the Regulations that would lead them to believe that changes were necessary to lessen the burden on industry or to achieve the objectives set out in the Directive. The industry survey has not highlighted any major concerns or costs to industry or opportunities for reducing the regulatory burden on businesses; however, a low response rate means this data may not be fully representative. Although there were some comments with regard to the administrative side of submitting applications, we do not regard them to be sufficient at present to recommend any changes, however the OGA is considering how modifications to its administrative and IT system could better manage the appointment of well and installation operators.

Based on the evidence demonstrated in this review, the Department's view is that the Regulations have been and are serving their purpose and have worked well to date. The Regulations should remain in place following the review. In accordance with the Regulations further reviews are to be carried out at intervals not exceeding five years.

<p><b>Title: Post Implementation Review of the Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 (“the Regulations”)</b></p>	<p><b>Post Implementation Review</b></p>
<p><b>PIR No: BEIS009(PIR)-20-EDR</b></p>	<p><b>Date: 15/07/2020</b></p>
<p><b>Original IA/RPC No: 0088</b></p>	<p><b>Type of regulation: Domestic</b></p>
<p><b>Lead department or agency: Department for Energy, Business and Industrial Strategy (BEIS)</b></p>	<p><b>Type of review: Statutory</b></p>
<p><b>Other departments or agencies: The Oil and Gas Authority (the OGA) and the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED)</b></p>	<p><b>Date measure came into force:</b>  19/07/2015</p>
<p><b>Contact for enquiries: Izabela Pawlic – Seymour, Tel: 02072150735, Izabela.Pawlic@beis.gov.uk</b></p>	<p><b>Recommendation: Keep</b></p>
	<p><b>RPC Opinion: Choose an item.</b></p>

**1. What were the policy objectives of the measure? (Maximum 5 lines)**

The policy objectives of the measure set out to: minimise the adverse impact of any changes on the oil and gas industry and UK interests by adopting the least burdensome approach; maintain the current levels of safety and the protection for the environment; embed the new requirements so that they further enhanced the UK's world class offshore oil and gas regulatory regime; and make the Regulations open and transparent, as well as ensuring consistency with current regulations.

**2. What evidence has informed the PIR? (Maximum 5 lines)**

We have gathered information directly from the industry, by inviting offshore operators and licence holders to complete an online survey. We have also consulted OPRED and the OGA about the objectives of the Regulations and our survey results. OGA and OPRED have also provided us with information on the number of licence applications, complaints and appeals. We have also reached out to the industry through well-established channels of the OGA (meetings) and of OPRED (newsletter and meetings).

**3. To what extent have the policy objectives been achieved? (Maximum 5 lines)**

The review has assessed each of the policy objectives by asking the industry and the OGA, as well as the Competent Authority for feedback and in some cases to assess specific policy objectives. The feedback we have received from across all of the stakeholders has shown that the policy objectives have been achieved.

Sign-off for Post Implementation Review: ~~Chief economist~~/Head of Analysis and Minister

***I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

Signed: ***Alastair Windus (on behalf of Theresa Chambers, Head of Energy and Security Analysis)*** Date: 12/06/2020

Signed: **Minister Kwasi Kwarteng** Date: 02/07/2020

**Further information sheet**

Please provide additional evidence in subsequent sheets, as required

**4. What were the original assumptions? (Maximum 5 lines)**

The 2014 Impact Assessment (IA) estimated the costs to industry of complying with various aspects of the Regulations. We collected data from an industry survey to compare whether the costs to industry were higher than originally estimated. When compared, none of the differences in costs shown in the survey and IA were large enough to indicate statistical significance.

**5. Were there any unintended consequences? (Maximum 5 lines)**

We have not received any information while carrying out the review which indicated that there were any unintended consequences as a result of implementing the Regulations. The survey results on costs do not provide any strong evidence that administrative costs to industry were higher than originally estimated in the IA.

**6. Has the evidence identified any opportunities for reducing the burden on business? (Maximum 5 lines)**



The Post Implementation Review (PIR) has not identified any opportunities for reducing burdens on the offshore oil and gas industry by amending or revoking any part of the Regulations. The Regulations transposed European Union's (EU) Directive requirements into law for licensing offshore oil and gas operations and the PIR findings have confirmed this is still the most effective way to manage licensing and operator appointment.

**7. For EU measures, how does the UK's implementation compare with that in other EU member states in terms of costs to business? (Maximum 5 lines)**

The European Commission has set out to assess and evaluate whether the Directive as implemented has achieved its objectives. It has carried out a consultation on how the Directive is implemented in member states, to be followed by publication of a report, which may enable a comparison of UK implementation with that of relevant EU member states. However, the EC's report is yet to be published and as such, we were not able to draw any comparisons between approaches to implementation, as part of this review.

## Annex A – Questionnaire for The Offshore Petroleum Licensing Regulations 2015 Review

On 28 June 2013, the European Commission published the Directive on Offshore Petroleum Licensing which became the Offshore Safety Directive (OSD) Regulations 2015. The OSD aims to reduce as far as possible the occurrence of major accidents, and consequential major environmental incidents, related to offshore oil and gas operations, and to limit their consequences. In relation to licensing the OSD requires that a greater range of considerations are taken into account before the granting or transferring of a licence to explore for, or produce, petroleum. The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 build on the existing licensing regime in the Petroleum Act 1998 (and previously the Petroleum Production) Act 1934) and apply that greater range of requirements. They also create obligations on the Licensing Authority (the Oil and Gas Authority – OGA) and the Competent Authority (The Offshore Safety Directive Regulator (OSDR)) in relation to the appointment and regulation of operators, who carry out functions under a licence.

BEIS is committed to carrying out a post-implementation review by July 2020. This survey aims to collect information enabling us to assess whether the regulations are achieving their objectives.

Any information you share with us will be anonymised; neither you nor your organisation will be named in any published outputs. Information will be confidential and stored securely, in accordance with the General Data Protection Regulation (GDPR).

This survey should take no more than 20 minutes to complete.

### PART 1: Licensing

1. How many licence applications have you submitted since 2015?

[Text box]

2. How many licence update applications have you submitted since 2015? *A licence update application is an application to change an existing licence, e.g. change to licensees or licensed area.*

[Text box]

3. How many operatorship applications have you submitted since 2015?

[Text box]

4. How many updated operatorship applications have you submitted since 2015? *An operatorship update application is an application to change an existing operatorship.*

[Text box]

5. **Additional Licensing costs/costs to licensees:** Under regulation 11, both the Licensing authority and competent authority can ask for information related to compliance with obligations under r3(1), 3(4) 4, 5(5) 6(1), 7, 8(6) and 9.

**5A.** What has been the average cost per submission to your organisation for **preparing safety submissions** since 2015? *Please note that the costs requested are only the internal costs to your organisation for preparation and submitting a safety submission.*

- **Less than £6,000**
- **£6,000 - £11,999**
- **£12,000 – £17,999**
- **£18,000 - £23,999**
- **£24,000 or more**
- **Not applicable**

**5B.** What has been the average cost per submission to your organisation for **updating safety submissions** since 2015? *Please note that the costs requested are only the internal costs to your organisation for updating a safety submission.*

- **Less than £1,000**
- **£1,000 - £1,999**
- **£2,000 – £2,999**
- **£3,000 - £3,999**
- **£4,000 or more**
- **Not applicable**

**5C.** What has been the average cost per submission to your organisation for **preparing environment submissions** since 2015? *Please note that the costs requested are only the internal costs to your organisation for preparation and submitting an environment submission.*

- **Less than £6,000**
- **£6,000 - £11,999**
- **£12,000 – £17,999**
- **£18,000 - £23,999**
- **£24,000 or more**
- **Not applicable**

**5D.** What has been the average cost per submission to your organisation for **updating environment submissions** since 2015? *Please note that the costs requested are only the internal costs to your organisation for updating an environment submission.*

- **Less than £1,000**
- **£1,000 - £1,999**
- **£2,000 – £2,999**
- **£3,000 - £3,999**
- **£4,000 or more**
- **Not applicable**

**6. Additional Operatorship costs/ costs to operators:** Under regulation 11, both the Licensing authority and competent authority can ask for information related to compliance with obligations under r3(1), 3(4) 4, 5(5) 6(1), 7, 8(6) and 9.

**6A.** What has been the average cost per submission to your organisation for **preparing an operator's submission** since 2015? *Please note that the costs requested are only the internal costs to your organisation for preparation of and submitting an operatorship application.*

- **Less than £6,000**
- **£6,000 - £11,999**
- **£12,000 – £17,999**
- **£18,000 - £23,999**
- **£24,000 or more**

- **Not applicable**

**6B.** What has been the average cost per submission to your organisation for **updating an operator's submission** since 2015? *Please note that the costs requested are only the internal costs to your organisation for updating an operatorship application.*

- **Less than £1,000**
- **£1,000 - £1,999**
- **£2,000 – £2,999**
- **£3,000 - £3,999**
- **£4,000 or more**
- **Not applicable**

#### PART 2: Understanding of Legislation

Please select the most appropriate answer to the statement: To what extent do you agree with the following statements:

1. The administrative tasks to comply with the licensing process are proportionate.  
**[Strongly agree – agree – neither agree nor disagree – disagree – strongly disagree]**
2. I understand why the licensing is needed.  
**[Strongly agree – agree – neither agree nor disagree – disagree – strongly disagree]**
3. I have the right level of information to proceed with the licensing process.  
**[Strongly agree – agree – neither agree nor disagree – disagree – strongly disagree]**
4. I understand who to contact with licensing-related queries.  
**[Strongly agree – agree – neither agree nor disagree – disagree – strongly disagree]**
5. Any additional comments? **[Text Box]**

#### PART3: Financial Liability Information provision

Regulation 11(3) of OSD 2015 requires licensee(s) to provide to the Competent Authority, on request, information relating to financial provision for potential liabilities which may derive from their offshore oil and gas activities in relation to their obligations under regulation 9. The Competent Authority sought to meet this requirement in two ways. For existing and new production operations and development well operations a declaration from the Licensee(s) or Licensed Operator that adequate provision was in place was accepted. For exploration & appraisal well operations this was demonstrated by the Licensee(s) needing to submit relevant insurance information and board

resolutions confirming that these provisions would remain in place for the duration of the well operation. The required level of detail was set out in Oil and Gas UK guidance. The following questions seek information on the costs associated with providing this information to the Competent Authority.

1. What was the average cost per submission for providing a declaration of financial liability provision to the Competent Authority for your installations / fields since 2015? **[Text box]**

2. Q. What was the average cost per submission for providing a demonstration of financial liability provision to the Competent Authority for your exploration / appraisal wells drilled since 2015? **[Text box]**

3. Since 2015 how many exploration / appraisal wells did you drill where you were required to provide a demonstration of financial liability provision to the Competent Authority? **[Text box]**

PART4: Questions about your organisation

“To help us better understand your responses could you please provide a bit more information about your organisation.”

Please select the most appropriate answer.

1. Organisation size
  - <50 employees
  - 50-99 employees
  - 100-249 employees
  - 250+ employees
2. Organisation type
  - Production Installation Operator & Well Operator
  - Well operator only
  - Non-production installation owner
  - Other – please specify **[Text Box]**

Thank you for completing the survey. Your responses are much appreciated and will help inform our review of the Offshore Petroleum Licensing Regulations.