



Cripps Sears & Partners

Minutes of Aberdeen North Sea
Leadership Forum

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MINUTES

Medium term activity outlook for the UKCS – up down or sideways?

- Seeing some activity, 30th Round etc.
- No sign of exploration, but all extrapolations rely on it.
- Some pick up in “on the shelf” but no restocking or improving.
- Massive decom bill appears to be government focus.
- OGA trying to force exploration.
- Area Plans are spluttering and biased to Majors. Should be driven by small & midstream. There are exceptions.
- Does OGA understand needs of Private Equity? No.
- OGA perspective is biased to staff experience of only big companies.
- OGA has 2035 vision which accommodates decline.
- Would high oil price drive massive activity? No.
- There’s been little or no investment to maintain skills and capacity.
- Area Plans – no plans have been completed – OGA have found themselves in an awkward place.
- Regulator role is dangerous.

Role of the regulator (OGA) and trade bodies (OGUK) in a mature basin?

- OGA not focusing on right things. OGUK too.
- Strategy & Leadership missing.
- Why is there no role for HMT in Area Plans?
- Area Plans are great to make pie bigger, but what happens when you are asked to “take one for the team”?
- OGA focus is not regulation, but fiddling process, bench marking etc. which is what OGUK used to do well.
- Proliferation of trade bodies ie decommissioning – causing confusion.

Threats to the North Sea in \$80+ environment?

- Supply chain reaction = price inflation.
- Strong similarities to early 80s coal industry. Coal is still there but the industry isn’t.
- Norway is not without its problems, but has been better at investing through the cycle.
- Government simply want to defer or deflect decommissioning costs.
- There will be new field developments, but not enough.
- Companies will focus on building working capital and payback to those who have kept them afloat.



Have we changed enough to be sustainable?

- Generally, no.
- PE looks at it differently – matching opportunity to the entity's risk/reward appetite.
- Will see more novel development funding – case of dividing up the risk reward matrix and matching it to appetite & tolerance.
- It will not rejuvenate the basin, but big help in arresting decline.

The “mass” change out and consequent brain drain and loss of experience/competency.

- May not be needed as assets retire.
- No investment made in staff competence or working smarter.

A target to reduce Abex by 35%. Achievable?

- Should be possible – should be more.
- Question is what will supply chain want. Likely to mean that answer is “no”.
- A challenge is to get NGOs on board, working solutions.
- Think saving won't be made.
- Technology can make P&A cheaper.
- Need to develop specialisms in dealing with the difficult stuff – e.g. old wells. If you can deal with the cost outliers, risk (real & perception) is improved.
- Nationalise it! At least the wet tree well abandonment. That's the expensive bit and all that money exits the UK.
- Can PE be interested? Some evidence if you can approach it differently.
- Reluctance to fix costs.
- Reluctance to take on liability, insurance etc.
- Outliers are massive so whoever takes on liability will put a risk premium on it.
- Operators will pay for certainty.
- Does someone have confidence and capability to manage the portfolio?
- Are Asset Retirement Obligations (ARO) estimates real?
- Process is getting better.
- Current service sector cannot lead this change.
- Need to come at it from different angle.
- Ex-Operator insight valuable for service sector.

