

OFFSHORE GEOLOGY PROGRAMME

1. INTRODUCTION

1.1 The Offshore Geology Programme consists of four contracts including management of the DTI core store, geological advice, core analysis and computer support. These were set up to reflect the objective of promoting the economic development of the UK's oil and gas resources. The Programme covers both statutory and non-statutory activities.

1.2 The statutory duty is part of the Department's obligation to regulate the activities of oil and gas exploration and development on the UK Continental Shelf. Oil companies are required by law to provide samples of rock cores and rock cuttings from all wells drilled on the UKCS. These samples need to be archived and stored in a suitable environment, and access to them is restricted to those entitled to see them for a period of five years. The tasks of receipt, storage and archiving of rock cores and samples, well logs, and geophysical and other data collected from exploration, appraisal and development wells drilled by UKCS licensees, are carried out at the DTI Core Store Edinburgh and funded by the Programme.

1.3 The non-statutory activities are carried out for OGD in support of its role to encourage the expeditious exploitation of hydrocarbon resources in the UKCS. This consists of geological studies to provide an independent view to government of the resources available within the UKCS and core analysis in support of the Department's Hydrocarbons Additional Recovery Programme (HARP). These activities are supported by the computer support contract. Only three of the four contracts have been activated, core analysis in respect of HARP never having been required.

1.4 Total expenditure on the Programme from 1994/95 up to the 1997/98 allocation amounted to £5.9 million. Expenditure in each year is shown in the following table.

1.5 Offshore Geology Programme Expenditure 1994-95 to 1997-98 in £m

			1997-98 (allocation)	
1.72	1.41	1.43	1.34	5.90

2. RATIONALE AND OBJECTIVES

Rationale

2.1 The Programme does not address a conventional market failure, since much of the expenditure is directed to the achievement of statutory obligations and policy objectives. The rationale for the core store is that the data is of real value in helping industry to carry out its exploration, appraisal and development activities on the UKCS more efficiently. The Core Store provides access to all UKCS at a single location. It is unlikely that the same service could be provided on a commercial basis because the industry wishes to ensure that the data are handled on a confidential basis, and would be reluctant to see the service performed by a commercial provider because of possible conflicts of interest. Evidence was obtained on these issues from a survey of Core Store users undertaken as part of the evaluation.

2.2 The rationale for the geological advice element of the ROAME is to provide independent geoscientific studies which support the Department's policy objective of maximising the economic recovery of hydrocarbon resources from the UKCS. These studies do not duplicate the work of oil companies or industry contractors and are necessary in cases where company interpretations differ. The underlying rationale for this aspect of the Programme is therefore the regulated nature of the oil and gas industry which means that UK government must act as an informed custodian of the nation's oil and gas reserves.

2.3 It was concluded that the rationale for the Core Store was justified given the statutory need to hold the cores and the unique nature of the cores. On the rationale for the support of the geological advice it was concluded that the rationale was justified whilst the UK continued to regulate the UKCS in the present way and has a discretionary licensing system which relies on an informed licensing body to meet the overall objective of maximising oil recovery.

Objectives

2.4 The main objective of the Programme for the Core Store is to meet the statutory obligation to maintain a comprehensive and accessible Core Store for use by industry, Government and academics. Three subsidiary objectives relate to maintenance and operation of the Store, including the maximisation of revenue. The evaluation concluded that the objectives were being met despite difficulties in determining whether revenue is maximised.

2.5 The objectives for the geological advice part of the programme are as follows:-
to use the Geological Advice contract to assist the Government in:-

- (a) assessing the oil/gas potential in different parts of the UKCS, and help target prospective areas for licensing rounds in an ordered sequential manner;
- (b) preparing the optimum case in areas where the extent of the UKCS is in dispute;

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- (c) providing data for the Undiscovered Reserves section of the DTI Energy report.

The evaluation concluded that subject to concerns regarding data management the objectives relating to geological advice had been met.

3. EVALUATION EVIDENCE

3.1 A short questionnaire was sent to 28 organisations which had used the Core Store over the last three years. The questionnaire asked respondents about their use of the Core Store, the facilities and staff, and any improvements they had noted since 1994. It also asked about charges made. Face-to-face interviews were undertaken with the three contractors, 5 of the OG geoscientists and from officials in OG and EFM. There was also a review of the files relating to the three contracts covered by the Programme and of 15 out of 34 projects started during the period of the evaluation.

4. RECOMMENDATIONS

4.1 Core Store

- review the system for informing the Core Store of released cores;
- a formal monitoring system for pursuing copies of reports and slides relating to samples taken from cores be pursued;
- modify Core Store SIS system as soon as possible to make data retrieval easier and to allow the paper system to be replaced;
- the revenue raising possibilities of the Core Store are reviewed, including the possibility of charging contractors for accommodation.

4.2 Geological advice

- when the objectives for the new ROAME statement are revised consideration should be given to measuring the impact arising from the geological advice projects;
- OG2 resolve as quickly as possible issues of data management and put in place mechanisms for cataloguing such information and making it available within both OG and BGS;
- OG2 implement their IT strategy for the Core Store;
- the IT strategy is agreed as soon as possible between OG5, OG2 and its contractors. Also, that the revised contracts allow for some flexibility in the duties and responsibilities of the computing contract given the time period involved;
- the provision of Core Analysis on behalf of HARP should be withdrawn from the Offshore Geology Programme.

4.3 Appraisal

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- OG2 make appraisal criteria explicit for projects selected and formalising means by which projects are agreed.

4.4 Monitoring

- DTI monitor progress against the annual programme of maintenance through monthly monitoring reports and meetings;
- the contractors provide annual reports to the programme manager setting out costs, achievements, major issues resolved and outstanding, and those likely to arise in the next twelve months, including data with respect to agreed performance measures. For the geological advice contract this would include a report on all projects setting out status, timetable, resource required, completion of project description sheet, break point report, post project assessment;
- OG2 consider more detailed performance measures to be introduced into licence conditions for contractors.

4.5 Others

- OG2 consult with EFM over the nature of the maintenance contract when the contract is reviewed in 1998.

5. ACTION TAKEN AS A RESULT OF THE EVALUATION

5.1 OG2 took action to implement each of the recommendations.

**Offshore Geology Programme
Key Evaluation Evidence**

Heading	Performance Indicator	Explanatory Narrative
1. Inputs	<p>Key: Total cost and cost to DTI</p> <p>Programme costs 1994/95-1997/98 £5.9 million</p> <p>1994/95 £1.72m 1995/96 £1.41m 1996/97 £1.43m 1997/98 £1.34m (allocation)</p>	
2. Activities Supported	Programme consists of four contracts (management of DTI core store, geological advice, core analysis and computer support)	
3. Additionality of	Additionality not relevant to programme part of	

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activity	which covers statutory duties and rest relates to activities carried out for OGD in support of its role to encourage the exploitation of hydrocarbon resources in the UKCS	
4. Participants / Beneficiaries	<p>Core store: There were almost 600 visits to the core store between 1994/95 and 1996/97 of which around 470 were from paying visitors, ie oil companies and consultants, and 130 from universities etc who do not pay for access. There were 61 different user organisations of which 44 were oil companies, 14 were universities and 3 were government organisations. There were 18 organisations which had used the core store more than once during the last three years.</p> <p>Geological advice: Used by OG Directorate as an input to policy formation</p>	
5. "Client" satisfaction (users of DTI supported service, or participants in DTI supported activity or project)	<p>Six out of 8 core store users surveyed who paid to use it considered the charge good value for money, four saying they would be prepared to pay more.</p> <p>Users also indicated a relatively high level of satisfaction on the basis of a number of indicators of the quality of the service provided</p>	
6. Immediate outputs and Intermediate Outcomes	Several respondents used the core store as a source of information for their postgraduate studies. Other respondents used the core store to obtain information for regional exploration studies and to undertake comparisons with proprietary studies for oil companies. Others used the information to evaluate both licensed acreages and those to be licensed in future. Generally oil companies and contractors used the information to improve their understanding of the geology of the UKCS	
7. Additionality of immediate outputs and intermediate outcomes	See above	
8. Business Outcomes	Not applicable	
9. Additionality of business performance outcomes	See above	
10. Wider/ economic effects: value for money		
11. Research evidence about: (1)	Was a literature review undertaken for this evaluation? []yes [X] no	Not applicable

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<p><i>links between activity / outcomes and GDP; (2) links with progress through stages of company development</i></p>		
<p>12. Rationale: Specify which types of economic (market failure) rationale (if any) were assessed by the evaluation, and describe the main sources of evidence:</p>	<p><input type="checkbox"/> externalities/spillovers; <input type="checkbox"/> collaboration/co-ordination failure; <input checked="" type="checkbox"/> public good/free rider problems; <input type="checkbox"/> lack of awareness/under-estimated benefits (uncertainty); <input type="checkbox"/> barriers to entry/access; <input type="checkbox"/> other (please specify).</p>	
<p>13. Activity scale: Evidence of appropriateness relative to needs</p>	<p>Provision meets the identified requirement</p>	

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