

Minister Boosts UK Exploration by Stripping Away Red Tape

Following the May meeting of PILOT, The Rt Hon Helen Liddell, Minister for Energy, announced new deregulatory measures to boost offshore oil and gas exploration and development on the UKCS.



These measures were developed in consultation with the Industry through PILOT.

The new measures include:

- Less production reporting to government and earlier publication of results
- A new web-based process for approving drilling applications
- Reducing the time needed to obtain Pipeline Works Authorisations
- Revised guidance clarifying positioning and development procedures

The changes will result in a 90% cut in the data needing to be reported to the DTI on a routine basis, a reduction of a least 60% in the number of individual well consent applications and a reduction by 20% of the time taken to obtain Pipeline Works Authorisations, amongst many other benefits.

Helen Liddell said, "These measures should increase competitiveness and encourage activity on the UKCS. Significant improvements will be made by using the internet and electronic business. Both business and government are taking the lead in this vital area.

The Government will continue to work in partnership with industry through PILOT. I am sure that by working together we can ensure a long and profitable future for the UK oil and gas industry."

Malcolm Brinded added on behalf of the Industry Leadership Team, "We welcome these further deregulatory measures, which will help maintain a vibrant industry well into the next century. Once again PILOT has proved itself a real innovation in improving partnership between government and industry."

Henry McLeish Backs PILOT

Henry McLeish, the Minister for Enterprise and Lifelong Learning in Scotland, backed the work of PILOT following its May meeting.

Mr McLeish, who is Vice-Chairman of PILOT, said, "I am particularly pleased that this meeting has been held in Aberdeen, the centre of UK offshore activity.

This meeting demonstrates the commitment of the Government, the Scottish Executive and other industry stakeholders to continue the work of the Oil and Gas Industry Task Force and improving the competitive position of the UK Continental Shelf.

We discussed a number of topics including the future of the fabrication sector in view of the Industry's forecast that the existing UK capacity greatly exceeds demand.

The Scottish Executive is keeping in close contact with the Highlands and Islands Enterprise and issues of diversification, employment and training to ensure the best interests of the workforces involved are preserved.

PILOT will continue to work to tackle issues facing the UK oil and gas industry and help it develop and succeed well into the 21st century."

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Jargon Buster

LOGIC: Leading Oil and Gas Industry Competitiveness
LIFT: Licence Information for Trading
DEAL: Digital Energy Atlas and Library
ITF: The Industry Technology Facilitator

Minister Announces More Transparency for Licensing

The Rt Hon Helen Liddell, Minister for Energy, announced measures to improve the transparency of the offshore oil and gas licensing regime after the May meeting of PILOT.

Mrs Liddell said, "I am determined to keep the UK licensing system as "best in class". Applicants will in future receive information on the DTI scoring system,

detailed feedback on their applications and details of the work programmes of successful bidders. The new system, which has been developed in consultation with the Industry, will create a level playing field and facilitate better thought out and more focused applications. This will provide a good basis for the 19th Round of Offshore Licensing, which I hope to announce later this year."

UKOOA welcome the announcement on behalf of the Industry, Malcolm Brinded, Joint Chairman of the PILOT Industry Leadership Team, said, "These changes are further evidence of PILOT's success in providing a constructive forum in which industry and government can work together. We are already seeing indications of the green shoots of recovery and changes such as these will help to sustain that by reinforcing confidence in the UKCS".

users now standing at over 1300 from around the world. On average, the site receive 100 visits a day, but more pertinent perhaps, is that 19 assets have been removed because they are under negotiation and expected to complete trades or sales shortly.

Two major updates to the system are expected this month, a comprehensive oil services directory (www.oilserve.com) will shortly be on-line and the industry's model transactional legal agreements (also created under OGITF) will become available for down loading from the site. LIFT want to know what could make the resource they provide even more useful to the Industry. Contact them at www.uklift.co.uk, preferably by 16th June on how best this licence trading initiative can be enhanced from your perspective.

UK LIFT Project Manager, Tim Reggione said, "We have been very pleased with the first six months activity on UK LIFT. The global exposure the site is receiving should help LIFT attract new investment into the region."

LOGIC

LOGIC
Leading Oil & Gas Supply Chain Consultants

LOGIC, an organisation formed from the OGITF, is working with companies to stimulate collaboration, and therefore improve the competitiveness of the oil and gas sector. It will achieve this by effective and innovative management of the supply chain, which includes the importing of world-leading practices from other industries. The target set is for a £1 billion improvement in the performance of the oil and gas sector by the year 2002.

In the 9 months since LOGIC's inception, its work has involved monthly seminars to explore its generic methodology for improving the supply chain, and self assessments and support offered to companies through Supply Chain Assessments and the Bespoke Consultancy Service. Collaborative Project topics include Wells/Drilling, Subsea Tie-back, and a Logistics Project which is examining ways of increasing the efficiency of moving men and materials. It is estimated that annual savings of up to £200 million pa could be achieved by greater co-operation and different ways of working in the aviation and marine logistics environment.

LOGIC is leading the way forward for the industry regarding e-commerce with the development of an extranet. It will be used across the supply chain for commercial functions including marketing, procurement, payment transactions and product information. Ernst & Young have been appointed to evaluate the existing options and recommend the next steps which will be announced at the LOGIC conference to be held on the 8th and 9th of June, in the Aberdeen Exhibition and Conference Centre.

www.logic-oil.com



Wants Your Input!

It is just over 6 months since the Internet based trading system for UKCS licences, LIFT, went on-line, and we thought that it was timely to update you on progress.

The initiative, which came out of the Government's Oil & Gas Industry Task Force (OGITF), is aimed at increasing the volume of licence transactions to improve joint venture alignment, promote regional co-operation and facilitate access to or exit from licences.

Since the beginning of the year the system has had over 100 licences being offered through sites owned by 18 different companies. Up time on the site has been over 98% with the number of registered



Malcolm Brinded Reports on PILOT Progress



At a recent Energy Industries Council dinner Malcolm Brinded, Managing Director of Shell UK Expro, a member of PILOT and Joint

Chairman of the PILOT Industry Leadership Team outlined the progress that PILOT was making. Extracts from his speech are set out here.

“Most of you will have heard of the Government Oil and Gas Industry Task Force, formed last year in response to a combination of oil price volatility, upstream investment decline and concerns over UKCS competitiveness. The Task Force brought together all of the stakeholders in our industry, operators, contractors, trade unions and five government departments.

“I regard it as truly a major step forward in government-industry relationships, and also in co-operation right across the Industry.

“The first phase of the Task Force concluded at Offshore Europe. Our Report expressed a vision for 2010.

“Specifically in the vision we set aspirational targets for UKCS investment to amount to £3billion a year in 2010, that is about the same as last year, and for production to amount to £3million boe/day, that is 40% on last year’s all time high but still more than twice the level of some of the more gloomy predictions.

“All of us in PILOT are acutely aware that this can too easily sound like hot air, and does not yet seem to be bringing relief to companies with empty order books now. Believe me, we do understand the urgency of the situation and importance of the year ahead. Recently we had a day and a half together where the full PILOT Team reviewed the state of play on all the PILOT initiatives and asked whether things were going fast enough and what more needed to be done. Firstly we re-examined the 2010 targets. Despite all of us recognising the maturity of the UK North Sea sector, we concluded that the vision for 2010 is still valid. It is a tough target but we can still see that investment of £3billion a year from now until 2010 and beyond is a realistic goal, and that therefore over £3million boe/d in 2010 is possible. Second, we looked at the major industry leaders such as LOGIC and ITF. These are key to improving competitiveness in 2001 and especially in 2002 and beyond. There is a risk they could become talking shops, spinning wheels rather than making a difference, so we together committed actions which will help speed up the progress and delivery of results from them.

“Third, we recognise that these initiatives are simply not enough. The key issue for many of you is the downturn that took place last year. We realise the urgency of this and reviewed several areas that might make a difference in the immediate future. Two of them were exports and undeveloped discoveries.

Exports

“We had an extensive review of the excellent work that British Trade International has put in place to restructure the support given to exporters, really targeting key markets in a much more focused way. We then asked how operators might do more to help. There are several good ideas in play which we aim to finalise soon. They include running seminars for suppliers/contractors, together with BTI, which will help explain the “workings” of international oil companies, and also clarify how overseas governments and their major oil companies run their indigenous oil and gas industry; these would probably be targeted at specific countries or areas.

“Another proposal involves the targeted support of SMEs by operator representatives, who have expertise in the field of the SME, and can help give advice on market opportunities and be available to the SMEs one or two days a month.

Undeveloped Discoveries

“There could be an opportunity here to increase UK activity levels in the near future, but it would be simplistic to believe that this is an open goal.”

Following this meeting PILOT set up a Working Group to examine the issues involved in commercialising these discoveries. Early signs suggest positive progress. A full report on their progress will be available during the summer.

www.pilottaskforce.co.uk

Sir Ian Wood Sees International Future for the UK Industry

Speaking at the UK's Reception at OTC at Houston, Sir Ian Wood laid emphasis on the major international opportunities for the UK based oil and gas industry.

Sir Ian said, "The Task Force set up in the UK last year involving government and all sectors of the Industry taking a 10 year look ahead at ways to maximise the opportunity on the UKCS, has broken through a number of mindsets and barriers and produced a range of ambitious

projects and programmes. These cover competitiveness, supply chain management and industry collaboration through LOGIC, technology facilitation, reduced regulation on the UKCS and very pertinent to OTC, the enhanced internationalisation of the UK industry.

Very ambitious growth targets have been set for the latter and to help UK based industries achieve this, the oil and gas directorate of British Trade International, the newly established government trade promotion body, is putting in place a whole range of new measures. A new website will provide better quality information on key markets and projects 24 hours a day. There are initiatives to help with overseas joint venturing. There will be enhanced overseas presence in key markets like Houston, and steps are underway to overcome obstacles like standards and certification. British Trade International will also operate in a thoroughly joined-up way with Scottish Trade International/

Scottish Enterprise, local government, the Energy Industries Council and the UK Chambers of Commerce."

Sir Ian continued with a message for the international guests, "The UK oil and gas supply industry has now truly come of age. We are now thinking and behaving globally and gaining market share in many regions world-wide. We have learnt to combine our innovative strength from cutting edge technology so that the North Sea with the fit for purpose standardised approach that is essential in the international oil and gas industry. CRINE, CRINE Network and now the Task Force, PILOT and LOGIC, together with our pioneering work in industry alliances are all giving us a competitive edge. We have real differentiation and unique capabilities, particularly offshore."

Sir Ian pointed out that more details are available at www.brittrade.com

UKOOA Senses "Green Shoots of Recovery"

The first signs that confidence appears to be returning to the Offshore Oil and Gas Industry have been revealed in a survey by the UK Offshore Operators Association (UKOOA).

Twenty-two companies, accounting for around 95% of all the oil and gas produced offshore in 1999, were surveyed in mid-March on what they expected to spend on exploration and development over the next three years.

The responses suggest that expenditure on both exploration and development in 2000 is set to rise above 1999 levels.

Development spending is expected to reach £3.5 billion this year (compared with an estimated £3.2 billion in 1999 and £5.1 billion in 1998), while exploration budgets are also up slightly, from £0.3 billion in 1999 to a predicted £0.4 billion in 2000.

The survey also indicates that the number of exploration and appraisal (E&A) wells drilled this year is anticipated to rise to 48, compared with 31 in 1999. However, UKOOA notes that activity was slow during the first three months of this year, with only six E&A rigs on location, and despite predictions of 54 wells in 2001, the figures still lag behind 1998 levels when 59 wells were drilled.

New developments over the next four years could lead to orders of 25 installations. Although, these will be on a small scale destined for the southern sector of the North Sea or as satellites to existing platforms. Greater demand is

expected for sub-sea equipment with some 68 sub-sea tieback clusters projected over the same period. One new floating production development (FPSO) is anticipated for 2000, but none thereafter.

James May, UKOOA Director-General, commented, "Consistently higher crude oil prices mean that operators are re-assessing their budgets and appear to be more optimistic, a mood which is reflected in this latest survey."

Dave Smith, President of UKOOA, added, "It would be true to say that our members are sensing the first green shoots of recovery. The one area where we are unable to provide any significantly improved hope seems to be in the fabrication yards. The UK industry in the 21st century is going to be a quite different one from one that it was in the last century. The expected demand for sub-sea tiebacks demonstrates the way that our mature industry is going and must continue to go."