

Future role of EAG - the PILOT Economic Advisory Group

Issue

1. There has been some recent discussion about the future role of EAG, in particular about the need to reconnect it to PILOT. This brief note sets out some suggestions for discussion at EAG on 1 March before proposals are put to ILT and PILOT.

Mandate

2. EAG was a creature of the Oil and Gas Industry Task Force which was retained by PILOT. It does though seem to have lost its links with PILOT in recent times. It is important that the link to PILOT is strengthened and maintained.

3. Simon Toole (DTI) and Malcolm Webb (UKOOA) are both on PILOT (and ILT) and are suggested as principal points of liaison between EAG and PILOT (and ILT).

Objectives

4. EAG exists to provide economic advice to PILOT. The work of EAG should therefore feature in the PILOT Business Plan and should be directed by PILOT (and ILT, which now includes DTI representation).

5. EAG should be helping to form the PILOT agenda rather than just implementing it, but it needs endorsement from PILOT before it investigates new issues in depth (e.g. the economics of enabling Carbon Sequestration and Storage and its possible effects on the UKCS).

Scope of activities

6. The core work of EAG should include compiling, reporting on and assessing others' projections of UKCS activity. In the light of that, EAG should report on whether we are on track to meet the PILOT targets and, if not, what would be required to reach them.

7. EAG should working to produce a common Government/industry position on the likely future of the UKCS in terms of reserves/resources and production. In that context, work on the new model is a key issue (i.e. the UKOOA/Wood Mackenzie model developed in 2004 as part of the Brown Field initiative).

8. If possible, EAG should assess the impact of (existing and proposed) PILOT initiatives. It needs to be recognised that this has proved to be difficult and is likely to remain so.

Resources

9. UKOOA are offering to provide a Secretariat (on the basis that there is a reduced overlap with the ground covered by their Fiscal MRT, which currently also addresses a wide range of economic issues).

Membership

10. An invitation to attend the current meeting has already gone to all UKOOA members. It is important there is industry-side representation from smaller players, new entrants and the supply chain as well as the majors. It is further suggested that membership should be broadened from "experts" to include others with e.g. a commercial background. Academic and consultancy (e.g. Wood Mackenzie) representation should continue together with representation from the financial community (e.g. RBS, 3i). Most members should expect to be making regular contributions, not just attending (occasional) meetings.

11. It is suggested that DTI should continue to lead on the Government side with Treasury and Inland Revenue present too. There should be an open door for e.g. the Scottish executive/Office.

DTI/UKOOA, 28 February 2005