

relationships

collaboration

working together

maximising recover

supporting jobs

changing the way we work

creating a future

sustaining the future

co-operation

security of supply

**Progressing  
Partnership**



## PILOT - PROGRESSING PARTNERSHIP

Looking ahead there are some real challenges and opportunities facing the UKCS oil and gas industry, operating as it does in a mature basin while competing on a global stage.

While this industry has already delivered some 29 billion boe, we believe that there is at least the same amount again to be produced. However, realising this prize will be a challenge. To do this all parts of industry and government will have to be more innovative; improving ways of working; adding value with an ongoing focus on safety and low costs; and balancing competition with co-operation.

Recognising the challenges facing the UKCS, PILOT set up the Progressing Partnership Workgroup and charged it with addressing commercial and other behavioural barriers relating to UKCS activity and development.

Progressing Partnership worked throughout 2001 and came up with a number of recommendations, which PILOT reviewed and endorsed at its January 2002 meeting.

As well as having implications for all UKCS Operators, Contractors and Suppliers, these recommendations will also affect many individuals working in today's oil and gas industry.

Detailed in this special edition of PILOT Briefing is a summary of Progressing Partnership's work to date and its recommendations. Further details are available in the new publication "Progressing Partnership", which is available free of charge from Angela Latta at the DTI via [angela.latta@dti.gsi.gov.uk](mailto:angela.latta@dti.gsi.gov.uk) and Amanda Jones at UKOOA via [ajones@ukooa.co.uk](mailto:ajones@ukooa.co.uk).



# Ten Key Issues

Progressing Partnership identified ten main areas to be addressed:

## Licence Holding

In relation to licence holding there is general agreement that a more active exchange of licences is important to stimulating continued exploration and development activity. Progressing Partnership is recommending processes that provide permanent mechanisms, on a case-by-case basis, to ensure that acreage and potentially economic developments do not lie fallow.

## Licence-Holder Commercial Code of Practice

With the aim of improving commercial effectiveness, a voluntary Code of Practice has been developed. This Code addresses specific barriers to UKCS development and recommends best practices for commercial activity. The Code does not attempt to prescribe or inhibit commercial activity. Having been endorsed by Senior Managers and the DTI it is hoped that all UKCS companies will implement the Code.

## Standardisation of Agreements

A template for a Sale and Purchase Agreement has been developed. A standard Joint Operating Agreement for possible use in respect of the 20<sup>th</sup> Licensing Round applications is under review. Also under consideration are improvements in the asset transfer process as well as the potential streamlining of multi block licences.

## Pre-emption

With regard to existing licences, all provisions in operating agreements relating to pre-emption will be replaced with a standard clause. The aim of the standard clause is to increase the transparency of licensee intentions; ensure all parties have similar information and also reduce the amount of time required by parties when deciding whether to exercise their existing pre-emption rights. This process should be in place by the end of March 2002.

In relation to new licences, the DTI will not accept pre-emption provisions in future Operating Agreements other than in special and justified circumstances agreed at the time of licence award. Preference may be given to applications where prospective licensees do not include pre-emption provisions.

## Late Field Life Barriers - decommissioning provisions

The issue under consideration is the provision of financial security in respect of future decommissioning obligations. However to date no products or mechanisms have been identified for providing overall solutions to this issue. This and other related late field life issues will continue to be worked by DTI and industry.



## Other barriers to licence trading

Progressing Partnership is seeking to accelerate the release of data, in order to encourage the efficient application of knowledge gained in some licences. The group has agreed that the Stimulating Exploration Work Group will continue to work data release issues, in conjunction with UKOOA's Exploration Committee.

## Access to infrastructure

The group has not considered infrastructure, as it has been the subject of a DTI consultation in which the DTI invited views on the effectiveness of the existing Code of Practice and consulted on some ideas to increase market transparency. A paper will be put before Progressing Partnerships in February 2002, setting out the key issues and seeking views on the way forward.

## Code of practice for Supply Chain Partnership

The aim of this Code is to improve commercial effectiveness throughout the oil and gas industry supply chain. Its objectives are:

- (a) for Operators to provide the supply chain with more detailed information on future expenditure plans;
- (b) to increase the effective use of standard tender and contract documentation;
- (c) shorter negotiation periods;
- (d) recognition in tender evaluation of added value and cost competitiveness;
- (e) highest ethical standards on all sides.

## Increasing the take-up of new technology on the UKCS

This subject has only been partly addressed. However, the group has recommended that the DTI should:

- review the availability of testing facilities for new equipment;
- consider means of assisting SME's to undertake such equipment testing; and
- consider ways to incentivise the first use of novel technologies on the UKCS.

Progressing Partnership will continue to work this issue in 2002.

## Promoting the UK as a regional hub for supply chain activities

To date this subject has been addressed in part and future recommendations may include the means by which the UK is expanded and promoted as a regional hub among decision-makers in other parts of the world. The issue will continue to be worked in 2002.

## Progressing Partnership - next steps

To date Progressing Partnership has made significant progress. However, there remain a number of items that require further work. Information about the ongoing activity of Progressing Partnership will be available on the PILOT website ([www.pilottaskforce.co.uk](http://www.pilottaskforce.co.uk)) and in future editions of PILOT Briefing.

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