

**Sir Ian Wood Releases Interim Recommendations from UKCS Maximising Recovery Review:**  
*Proposals for greatly enhanced stewardship in next phase of UKCS to maximise oil and gas recovery*

Commissioned in June by Edward Davey, Secretary of State for Energy and Climate Change, to conduct an independently led review of UK offshore oil and gas recovery and regulation, Sir Ian Wood today (11 November 2013) releases his interim findings and recommendations for a strategy to maximise the economic benefit from the country's remaining oil and gas resource.

Sir Ian believes that full and rapid implementation of the recommendations will deliver at least 3-4 billion barrels of oil equivalent (boe) more than would otherwise be recovered over the next 20 years, bringing over £200 billion additional value to the UK economy. Key recommendations include:

- (i) Building on the tripartite co-operation that already exists between DECC, HM Treasury and industry to pursue a new strategy, *Maximising Economic Recovery for the UK* (MER UK);
- (ii) Greatly enhanced stewardship across the UK Continental Shelf (UKCS) combined with better collaboration between operators.

The report recognises the more complex nature of the UK's maturing offshore industry where an increasingly diverse range of operators are currently investing at record levels in new developments yet where exploration and production rates are falling, and activity is fragmenting into a patchwork of smaller fields.

Sir Ian said "The UKCS has changed radically over the last 20 years. While some regions are mature, there are still frontier areas and significant emerging potential where technology is opening up important new plays. It is therefore an opportune time for Government and the Industry to take stock and reshape the stewardship regime that will be required for the decades to come".

"I have interviewed 40 active companies in the oil and gas industry representing more than 95 per cent of UKCS production, key government figures, and regulators from neighbouring regimes such as Norway and the Netherlands. The evidence is clear. We need to strengthen the capacity and capability of our stewardship regime to enhance collaboration significantly across the North Sea if we are to meet the challenging demands of maturity and diversity and maximise the economic benefits for both the country and the industry."

The report recommends adopting MER UK underpinned by a cohesive tripartite accord between HM Treasury, a new Regulator and the industry, each with their role to play:

- The **Department of Energy & Climate Change** (DECC) to establish a new arm's length regulatory body to take on the stewardship role for the next phase of the UKCS. This will be appropriately resourced and equipped with additional powers to achieve greater co-ordination of activities and collaboration, closer in style and influence to neighbouring North Sea regulators. It will work closely with industry to develop and implement key strategies in areas such as exploration, third party access to infrastructure, production efficiency and decommissioning. It will also have the right, for the first time, to attend operator consortia management meetings. The Review recommends the new body should be funded by industry;
- **Industry** will be required to sign up fully to the principles of the MER UK strategy and commit to collaboration in key areas such as the development of regional hubs and the sharing of infrastructure. It will also be tasked with reducing the complexity and delays in current legal and commercial processes which clearly on occasions hinder progress on important developments and efficiencies.

- Whilst the UKCS fiscal regime is out of the scope of this Report, all those interviewed recognised that **HM Treasury** has a critical role to play in securing the future of the industry. The interviewees welcomed the successful fiscal allowances introduced in recent years, and underlined the importance of HM Treasury continuing to work closely with DECC and Industry to maximise economic recovery.

Sir Ian adds: "I believe it is now time for a step change in North Sea stewardship and collaboration. We need to be prepared for the challenges of this next phase in the UKCS' life. A better resourced arm's length Regulator with a strong economic focus, capable of attracting top quality personnel with appropriate industry experience, will be able to work more closely with the industry and facilitate the development and progress we need. This will require fundamental changes in operator behaviour but, as my interviews confirmed, they are clearly up for it".

"The Review is a timely intervention by the Secretary of State, Edward Davey, and has benefited greatly from the significant input from the DECC team. The contribution from industry has been very positive as the Review is seen as a major opportunity to increase the recoverable resource from the North Sea and should reinforce governments' oil and gas industrial strategies".

41 billion boe have already been produced from the UKCS and estimates of production still to come vary from 12 to 24 billion boe – at current oil prices, this difference represents a massive prize for the UK economy. The Review highlights how important the proposed new stewardship regime will be to achieving the top end of this recovery range.

Sir Ian concludes: "It is essential for the UK's future growth and prosperity that we maximise recovery of our offshore oil and gas resource. It is therefore crucial that industry and Government act now to invest in this shared vision if they are to achieve these goals. Subject to feedback, I will be urging DECC and Government to implement the main recommendations on a fast track programme".

**Comments on Sir Ian's initial findings and recommendations are now invited, which will be considered when compiling the final report due to be published in early 2014.**

Ends

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Notes to Editors

This review, the first in more than 20 years, will provide its full report in early 2014. The second half of the review will outline sector strategies and implementation plans to maximise the economic recovery from the UKCS, take account of feedback on the interim findings, and provide more details of the evidence base.

The number of UKCS fields has increased from 90 to 300 in the last 20 years with 90% of current fields producing less than 15,000 barrels per day. The average discovery is now less than 25 million barrels.

As Britain's largest industrial contributor, the success of its oil and gas sector is crucial for the UK. In 2012-13, the industry paid £6.5 billion in corporate taxes on production, over 15 per cent of all corporate taxes in the UK. In addition, it supports the employment of 450,000 people across the UK.

Interested parties can comment on Sir Ian's interim report through his website: [www.woodreview.co.uk](http://www.woodreview.co.uk).