

OGA involvement to facilitate solutions for blending of high Co2 gas from the Rhum field in pursuit of Maximising Economic Recovery (MER)

Following on from the Wood report and the establishment of the OGA as a new regulator for the UK upstream Oil and Gas industry there have been a number of legislative changes to establish the role of the new OGA and to clarify the obligations for all upstream industry participants. The Maximising Economic Recovery Strategy for the UK was published in 2015. The central obligation of this strategy is that *'Relevant persons must, in the exercise of their relevant functions, take the steps necessary to secure that the maximum value of economically recoverable petroleum is recovered from the strata beneath relevant UK waters'*.

In its pursuit of fulfilling this obligation the OGA has actively intervened with the owners of the Rhum field and the operators of the Bruce field, the FUKA infrastructure and the SIRGE pipeline /Shetland Gas Plant (SGP).

These interventions have included:-

- Facilitating completion of negotiations of an amended Rhum/FUKA Transportation Agreement which allowed ramp up of Rhum production from 1MCM/d to 5MCM/d albeit with additional payments required to secure arrival of sufficient Vesterled pipeline gas at the FUKA terminal as additional assurance against temporary % CO2 excursions exiting the terminal. This additional assurance represents significant UK value leakage.
- Encouraging follow on discussions between the Bruce/Rhum Operator and the FUKA operator to optimise pipeline and terminal operations which have reduced the requirement for guaranteed Vesterled blend gas at FUKA.
- Discussing potential upstream solutions with the owners /operator of SGP around plant trips and the timing of subsequent start ups
- Discussing with the prospective new owner operator of the SAGE terminal around the potential use of SAGE CO2 removal equipment to give further assurance around the % CO2 leaving the St Fergus National Grid plant (such service provision is potentially alleviated by the change in operatorship away from a US company).

In addition the OGA has engaged in discussion with National Grid to promote understanding of the OGA's role and in understanding the capacity for blending and risk reduction across the St Fergus terminals.

The driver for all these interventions is to reduce the economic impact of current blending approaches on the Rhum field and potentially on other high CO2 fields which could lead to premature cessation of production of the Bruce /Rhum offshore Hub (loss of significant UK gas to the downstream system) and/or deter further upstream investments to recover additional gas.