Dear Ms Hillier

In accordance with the commitment in the government’s response to Recommendations 1 and 2 of the Public Account Committee’s report “Public cost of decommissioning oil and gas infrastructure”, please find attached the OGA’s 2019 Decommissioning Cost Estimate Report published today.

I am pleased to be able to report that the estimated cost of decommissioning the UK Continental Shelf’s remaining oil and gas infrastructure is continuing to reduce. In addition, there has been strong progress – almost halfway – towards the shared objective of industry and government to reduce decommissioning costs by at least 35% by 2022. Key findings include:

- **2019 Decommissioning Cost Estimate (2019 inventory, 2018 prices):** Estimated (P50) decommissioning costs have reduced to £51 billion in 2018 prices, compared to £59.7 billion in 2016 prices estimated in 2017.

- **2019 “Like-for-like” Decommissioning Cost Estimate (2017 inventory, 2016 prices):** The cost reduction target is based on this like-for-like number. Comparing the same inventory as 2017, estimated costs have reduced significantly by 17% to £49 billion.

- Actual decommissioning expenditure in 2018 was reported to be £400 million lower than estimated the previous year.

- Decommissioning estimates provided by operators have higher certainty than those submitted in earlier surveys, which has resulted in a risk-weighted cost reduction of £2.6bn. Nonetheless, the proportion of decommissioning cost estimates with high
uncertainty (AACE Classes 4 & 5 quality) remains high, even for some assets being decommissioned in the coming 5–6 years.

- We estimate that, in 2018, direct intervention by the OGA resulted in more than £100 million in cost savings.

In line with the PAC recommendations, in addition to providing details of the actual decommissioning costs incurred during the previous year set against what the OGA had forecast, the report also includes the expected impact of new and as-yet undeveloped projects.

The report now also describes the work the OGA is doing to lead this cost reduction, including: structured engagement with operators; driving greater cost certainty and quality in their estimates through a new stewardship expectation; benchmarking cost performance; and sharing lessons learned.

The OGA is pleased with the progress being made recognising there are many years of decommissioning ahead to manage and there a number of risks to be mitigated by departments outside the OGA. Better capability and experience is providing greater certainty of actual UK decommissioning costs with several operators already achieving significant cost savings through adopting different approaches, learning and sharing with others, and challenging previous norms. The supply chain is also bringing new solutions to the market in terms of pricing structures, business models and technology.

The OGA will of course continue to work with the industry and government to maintain momentum.

Yours sincerely

Dr Andy Samuel

Chief Executive, Oil and Gas Authority