

# Oil & Gas UK launches new decommissioning agreement

*“The long term future of the North Sea depends upon recovering the remaining UK oil and gas reserves”*

**Oil & Gas UK has launched a Decommissioning Cost Provision Deed (DCPD) at an interactive seminar held in Aberdeen recently. The DCPD is a new industry standard agreement for use by joint venture partners in UK offshore oil and gas assets to ensure appropriate provisions are in place to cover each company's share of future decommissioning costs.**

Paul Dymond, Oil & Gas UK's operations director, commented: “Even though decommissioning is over a decade away for most installations, the UK oil and gas industry has been engaged with Government in designing new measures to improve the regulatory regime. The DCPD is the culmination of three years of discussions involving a wide range of people to create a robust financial security agreement for all parties involved in decommissioning.”

Used in conjunction with the Joint Operating Agreement (JOA), the DCPD will facilitate agreement between co-venturers on how future decommissioning costs will be covered in new oil or gas projects. It can also be used to provide security arrangements at the time of licensees buying or selling an interest in an asset.

Paul Dymond said: “The advice of legal experts has been central to the discussions on the DCPD. Its use should ensure that robust agreements are reached more quickly and with more focus on the commercial, rather than legal, aspects of covering future decommissioning costs.”

The DCPD has been designed as a standard that applies to a field rather than single interests but can be adapted for that use too. Oil & Gas UK envisages that its robust legal structure but

application flexibility will encourage adoption across the industry. The DCPD will help speed implementation and reduce duplication of securities arrangements. It should be an important contribution in establishing appropriate decommissioning provisions and help boost asset trading on the UK Continental Shelf (UKCS).

Paul Dymond said: “The long term future of the North Sea depends upon recovering the remaining UK oil and gas reserves. Uncertainty around the fiscal and regulatory treatment of decommissioning is delaying asset transfers and subsequent opportunities for incremental investment. The new DCPD is an important step towards the management of joint obligations on decommissioning liabilities consistent with the goal of maximising recovery of the UK's oil and gas reserves.” ■