

Commercial Code of Practice (CCOP)

As my company undertakes commercial activity relating to the UKCS, it will:

Comply with the MER UK Strategy

- Promote awareness of the MER UK Strategy among all relevant staff (including senior management and those located outside of the UK), external advisors and counterparties.
- Recognise that the “Central Obligation” of the Strategy requires 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 support of that requirement consider whether collaboration or co-operation with other parties could reduce costs or increase recovery of economically recoverable petroleum and, where that is possible, communicate these benefits to other parties and, collectively, give consideration to commercial means of achieving those benefits.
- Analyse internally, and discuss with joint-venture (JV) partners, external advisors, current and potential counterparties, the relevant commercial context, issues and opportunities associated with the situation, the MER UK Strategy and any relevant Oil and Gas Authority (OGA) MER UK Plans.

Be efficient and positive in negotiations

- Together with JV partners, external advisors and current and potential counterparties, establish and agree the issues that need to be addressed and a realistic Timetable to Completion (based on the key milestones in project maturation processes; asset transaction and completion processes, other concurrent activity and development plans).
- Use industry standard forms and precedents wherever practicable to reduce complexity, and contribute to the development of new standard solutions.
- Resource agreed activity appropriately in a manner which promotes positive engagement along with speedy and efficient resolution of all matters under negotiation.
- Empower staff and external advisors so that they can seek to resolve issues “in the room”. Where this is not possible, use company escalation quickly and decisively to prevent issues lingering.
- Report on progress regularly to the OGA, but only seek their involvement when asking them to opine on a company’s compliance with the Central Obligation or, where necessary and appropriate, to exercise their powers with respect to dispute resolution or third party access.

Review and Improve

- Conduct a post activity review with counterparties to understand how the code was complied with by all parties during the activity.
- Conduct an annual review of commercial activity to understand where opportunities to improve compliance lie.

Signature: _____
Name: _____
Title: _____
Company: _____
Date: _____

UKCS OIL & GAS INDUSTRY – COMMERCIAL CODE OF PRACTICE – Supporting Notes

Scope: The CCOP applies to licensees; infrastructure owners; potential licensees; potential infrastructure owners and advisors to these parties.

- **Promote awareness of the MER UK Strategy among all relevant staff (including senior management and those located outside of the UK), and external advisors.**

The MER UK Strategy, as laid before Parliament sets out a Central Obligation, Supporting Obligations and Safeguards.

Of particular relevance to this Commercial Code of Practice are:

An overarching obligation that the obligations set out in the MER UK Strategy must be complied with “in a timely fashion”.

The “Central Obligation” of the Strategy that requires 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”.

The section on “Collaboration” that requires that “relevant persons must, where relevant, consider whether collaboration or co-operation with other relevant persons and those providing services relating to relevant functions in the region could reduce costs, increase recovery of economically recoverable petroleum or otherwise affect their compliance with the obligation in question; where it is considered possible that such collaboration or co-operation might improve recovery, reduce costs or otherwise affect their compliance with obligations arising from or under this Strategy, relevant persons must give due consideration to such possibilities; and relevant persons must co-operate with the OGA.

The OGA monitors compliance with the Strategy, and has endorsed this updated version of the voluntary Commercial Code of Practice which was originally agreed by the industry in 2002. The extent to which this Commercial Code of Practice has been complied with will be taken into account as the OGA undertakes its regulatory, compliance and stewardship activities.

Where UK entities have foreign parents, the relevant decision makers in the parent companies should be made aware of the MER UK Strategy and its implications for the UK entity.

- **Analyse internally, and discuss with JV partners, external advisors, current and potential counterparties, the relevant commercial context, issues and opportunities associated with the situation, the MER UK Strategy and any relevant OGA MER UK Plans.**

It is recommended that the parties that will be involved in the activity/negotiation hold a joint framing event to ensure that all parties have the ability to clarify and build an understanding of the opportunity or issue being addressed; that alternative approaches are discussed; that parties agree on the relevant technical information which will be required to reach agreement; issues that any party may foresee that could be material in relation to the opportunity are raised so they can be addressed; and that the opportunity itself is put into context with reference to the MER UK strategy and any other relevant information, such as regional development plans held by the OGA.

- **Together with JV partners, external advisors and current and potential counterparties, establish and agree the issues that need to be addressed and a realistic Timetable to Completion (based on the key milestones in project maturation processes; asset transaction and completion processes, other concurrent activity and development plans).**

An aligned timetable, built on the fundamentals of the underlying opportunity, allows for resources to be identified and prevents the commercial agreements from being delayed due to lack of technical information or from becoming critical path. Good practice is to relate commercial deliverables to the project maturation process milestones.

- **Use industry standard forms and precedents wherever practicable to reduce complexity, and contribute to the development of new standard solutions.**

In order to be as efficient as possible, and reduce unnecessary workloads, standards have been developed for use in the UKCS. Where a party believes it is not practicable to use a standard form, it should explain why it is impracticable to do so. Where the activity is not covered by a standard agreement parties should work together to develop fit for purpose agreements cognisant of risks, their likelihood and potential outcomes prior to commencing drafting.

- **Resource agreed activity appropriately in a manner which promotes positive engagement along with speedy and efficient resolution of all matters under negotiation.**

With the activity, scope and timetable clear and agreed it is important that all parties then resource the activity with empowered and informed people, who work together exhibiting behaviours such as transparency, speed, ensuring “no surprises” in order to develop solutions to issues that arise.

- **Empower staff and external advisors so that they can seek to resolve issues “in the room”. Where this is not possible, use company escalation quickly and decisively to prevent issues lingering.**

Good practice is to try and resolve differences of opinion and positions in the negotiating room. Parties are encouraged to do this rather than take issues away for consideration or for escalation. If it is clear that those in the room do not have an overlapping mandate and cannot see how one could be created escalations should be quick and decisive, ideally built on a common upward brief so that all parties are sure the issue they are addressing is understood.

Escalation should occur through the Company’s International Codes of Practice (ICOP) or CCOP Champion in the first instance. It is recommended that each company has a nominated ICOP and/or CCOP champion, able to act independently from the team negotiating specific arrangements.

- **Report on progress regularly to the OGA, but only seek their involvement when asking them to opine on a company’s compliance with the Central Obligation or, where necessary and appropriate, to exercise their powers with respect to dispute resolution or third-party access.**

Where appropriate, the OGA should be kept informed of the progress of the activity. The OGA is not a mediator and should not be used as such.

- **Conduct a post activity review with counterparties to understand how the code was complied with by all parties during the activity.**

Following completion of the opportunity, the parties should conduct a review of their joint compliance with the CCOP. This review should be built around a discussion of each of the CCOP bulleted items and agreement on the level to which the joint activity complied with the CCOP. Where there was non-compliance, parties should include their learnings in their end year review (see below). Where the parties identify improvements to CCOP they should make the OGA and Oil & Gas UK aware of these.

- **Conduct an annual review of commercial activity to understand where opportunities to improve compliance lie.**

On an annual basis, each company shall conduct a review of its commercial activity and provide a summary of these, in accordance with the stewardship request from the OGA.