

2021

Annual Report

IRISH OFFSHORE OPERATORS'
ASSOCIATION



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INTRODUCTION

INTRODUCTION BY ALAN LINN, CHAIRPERSON, IOOA

I would like to take this opportunity to thank members for your endorsement this year to act as Chairperson of the Irish Offshore Operators' Association. Our industry has faced many challenges in recent years and undoubtedly a key moment has arrived for Ireland which not only dictates our industry's presence here, but recent Government legislation also has severe implications for the supply of energy to power Ireland's future economic growth and society generally. Regrettably, we may yet come to see how our industry was treated by the political system as a barometer of Ireland's openness to business, investment, and cutting-edge technology.

Despite all of the challenges we have faced as an Association, with your support we have been working hard to elicit absolute clarity on the major policy changes introduced by this Government that affect our industry. It has been a difficult and at times frustrating task. Why any responsible Government would seem content to appear open to renege on their commitments and to confine its future energy supply solely to importation – an act which will ironically also increase carbon emissions– is disappointing in the extreme.

However disappointing the events of recent years are, it is important to reflect on the important gains that we have made through our collective endeavours, particularly in recent months through our outreach on the Climate Action and Low Carbon Development (Amendment) Bill 2021.

While the legislation is challenging for those of us committed to progressing our licences, and the ban on future oil and gas licences sends out an incredibly negative message to international partners and potential investors, I believe that we have arrived at a point of clarity for the industry. The challenge now is to use the relationships built by IOOA to help us carve out an enabling regulatory landscape which is responsive to industry needs.

GLOBAL OIL AND GAS EXPLORATION LANDSCAPE

The past year has been tumultuous for all sectors of the local, national and global economy and for society, with the landscape dominated by the ongoing fight against the COVID-19 pandemic. In recent months, with the rapid rollout of the vaccine programmes, economies are beginning to open up again and activity and demand across all major sectors is ramping up rapidly. This has been immediately reflected in the demand for energy and oil price. In July 2020 the Brent crude oil price stood at just over \$43/barrel. Dipping to \$40/barrel in October, it has risen steadily since. At the time of writing, the Brent oil price stands at just

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over \$75/barrel, with the increasing demand as a result of a rapidly rebounding global economy fuelling increasing prices.

Capital expenditure for upstream oil and gas projects worldwide fell more than 25% in 2020 to approximately \$305 billion. In 2021, upstream capex is forecast to increase slightly in 2021, rising to \$310 billion but staying far below pre-pandemic levels (approximately \$800 billion in 2014).

Exploration activity in the UK North Sea remains at historically low levels. In 2020 only five exploration wells were completed in the UK North Sea with no appraisal wells, a first in 55 years. At the time of writing there are no exploration or appraisal wells being drilled in the area, with one exploration well and one appraisal well completed to date in 2021. Activity levels are higher on the Norwegian Continental Shelf, where 26 exploration wells and two appraisal wells were completed in 2020. At the time of writing, there are five exploration wells and one appraisal wells underway, while to date eight exploration programmes have been completed in 2021 with four commercial discoveries.

Throughout the past year the global debate around climate action has continued. The European Commission European Green Deal continues to dominate the European energy landscape. Member states are aggressively pursuing policies which transition society toward making the EU's economy sustainable in the face of global and environmental challenges and aiming for the EU to have no net greenhouse gas emissions by 2050.

The oil and gas sector had embraced the emissions reduction challenge and the move to a lower carbon future. Many of the major companies, especially those headquartered in Europe, have embarked on ambitious emission-reduction plans across all their activities and products and are in the process of transforming from fossil fuel oil and gas companies to sustainable energy companies. In addition to an increasing focus on gas production, many major E&P companies have dramatically increased investment in renewable energy sources, especially offshore wind (both fixed and floating) and solar energy. Carbon capture and storage (CCS) has become increasingly recognised as a major, and probably essential, technology for achieving emissions reductions, especially in the heavy industries that are hard to decarbonise. The development and deployment of CCS is led by the oil and gas sector. Within the past year, several European governments have begun to actively encourage and support the development of CCS projects, including the UK, Norway, the Netherlands.

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MEMBERSHIP LICENCE ACTIVITY

Since July 2020, several Frontier Exploration Licences and Licensing Options have been relinquished and several companies, including some IOOA member companies, have unfortunately exited the Irish offshore including Woodside Energy (Ireland) Pty. Limited.

Although a number of authorisations have been surrendered during the past year, there remain a considerable number currently active licenses. The latest Department of Environment, Climate and Communications (DECC) listing (31st March 2021) shows three current leases, four lease undertakings, 18 exploration licences, two licence options and two petroleum prospecting licences.

Fifty years after the spudding of the first well in the Irish offshore, the Kinsale Head gas field, operated by PSE Kinsale Energy, ceased production following almost 42 years of safe and uninterrupted gas production. The Decommissioning Plan has been approved by the Department of Communications, Climate Action and Environment (DCCAE) and the decommissioning process has commenced.

The Corrib gas field, operated by Vermilion, continues to provide almost 50% of Ireland's gas requirements. Since July 2020 a number of approvals have been granted by the Minister for the Environment, Climate and Communications, while the assessment of other applications is either suspended or ongoing.

- The Minister decided, on 15 September 2020 to grant approval, subject to certain conditions, to an application submitted on 6th March 2020 by PSE Kinsale Energy Limited to undertake a rig-site clearance geophysical survey at the Kinsale Alpha and Bravo platforms in 2020, as part of the decommissioning process.
- Following a very lengthy process after submission on 20 January 2020, the Minister decided, on 4 February 2021, to grant approval for Exola DAC (subsidiary of Providence Resources) to undertake a seabed and shallow geophysical survey and an environmental baseline and habitat assessment survey on the Barryroe K Site, within Standard Exploration Licence 1/11 (SEL 1/11).
- Following a lengthy process since the application on 18th November 2020, the Minister decided, on 14 June 2021, to grant approval to Vermilion Exploration and Production Ireland Limited to undertake an inspection survey of the Corrib Field offshore pipeline and subsea structures from the landfall valve site at Glengad, Co. Mayo to the Corrib Field, to include repair and maintenance works as necessary, subject to some conditions.

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- An application from Europa Oil & Gas (Holdings) plc for Inishkea (FEL4/19) Site Survey has not been progressed.



Mr Alan Linn

Chairperson

Irish Offshore Operations' Association

IOOA PAPERS

IOOA PAPERS

- ❖ [Seismic Source Modelling Report](#) - A feasibility study of low energy seismic sources for mitigation purposes.
- ❖ [GNI's Ten Year Network Development Plan 2019](#)
- ❖ CCS Amendment
- ❖ [Brexit - Critical Issues for the oil and gas industry and the energy sector.](#)
- ❖ [Climate Action Plan Submission](#) to Government which includes the Low Carbon Energy Hubs Paper and a press release on the proposals.