

MINISTERIAL FOREWORD

Important progress has been made over the past 12 months since the publication of the PILOT/KON-KRAFT document Unlocking Value Through Closer Relationships in August 2002. It is appropriate that this year's report has been titled "Strengthened Relationships". This has been very evident as our countries continue to work more and more in partnership to reduce costs and maximise recovery over the whole North Sea.

At the beginning of this process we set out a number of goals with a real prize at the end. There is no doubt there were some who were sceptical as to whether or not these could be achieved. This report provides a catalogue of real success directly attributable to the work of this co-operation initiative.

The group of visionary industry leaders from both sides of the North Sea have proved without doubt that by working in partnership, new and valuable opportunities can be opened up.

We have agreed the key principles, which will be incorporated in a new treaty between our two nations, setting a framework for regulating a wide range of potential cross-boundary projects, not least the planned new large gas pipeline from the NCS to the UK. A full treaty will now follow providing a framework that will unlock even more value for both countries.

We are not yet at the end of our journey but this report is an important milestone in the strengthening of the relationship between our countries. We look forward to many years of co-operation and sharing of technologies and best practice, which will enable the North Sea to remain a competitive basin for many years to come.



A handwritten signature in black ink that reads "Stephen Timms".

Stephen Timms

Minister for Energy,

E-Commerce and Postal Services



A handwritten signature in black ink that reads "Einar Steensnaes".

Einar Steensnaes

Minister of Petroleum and Energy

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EXECUTIVE SUMMARY

UK-Norway Co-operation

Nearly two years ago, the UK and Norway embarked on a groundbreaking journey aimed at strengthening co-operation between the two countries. This was set within the context that the UK would become a net importer of energy in the medium term and that Norway had a growing ability to export energy to the UK. True co-operation is achieved when people work together and realise a goal that cannot be achieved independently. The UK-Norway Workgroup identified a potential prize of up to \$2billion that could be achieved through closer co-operation in areas such as new field development, redevelopment of existing fields, operational synergies and decommissioning. Since the publication of the original Workgroup Report in 2002, both the UK and Norwegian governments, together with industry, have worked hard to ensure real value is realised and they continue to work hard. (see *Summary of Workgroup Recommendations and Their Status*).

New UK-Norway Framework Treaty

The new UK-Norway Framework Treaty will be key to unlocking cross-border value. On 2nd October 2003, in Oslo, the UK and Norwegian Energy Ministers announced that they had agreed on the key principles which will be incorporated in a new treaty between the two Governments, setting a framework for regulating a wide range of potential cross-border projects. The new treaty will cover the development of new fields that straddle the maritime boundary, the use of installations on one continental shelf to exploit resources on the other side of the boundary and the construction, laying and operation of a range of pipelines including landing pipelines.

The two Governments are now engaged on the work needed to complete drafting of the treaty. When completed, the treaty will constitute the most comprehensive energy co-operation agreement yet between the two countries.

1998 Framework Agreement – Guidelines

The UK and Norway Industry Consultation Group are drafting Guidelines to the existing 1998 Framework Agreement, which covers offshore cross-boundary interconnecting pipelines. The aim of these draft Guidelines is to provide detailed guidance on how the provisions of the Agreement would be applied in practice. In general the guidance will list the main regulatory approval &

consents required for such pipeline projects, including environmental, safety and decommissioning requirements and provide guidance in the form of road maps for priority and third party access procedures.

It is intended that the draft Guidelines will be available in due course on the PILOT and KON-KRAFT web sites and submitted to the two Governments at that time. In considering whether endorsement of the draft Guidelines by the United Kingdom and Norwegian Governments will be appropriate, the two Governments will need to consider both the form and substance of the Guidelines and whether they fully reflect existing regulatory and administrative practices.

Safety

Safety has been, and always will be, a top priority for the North Sea upstream oil and gas sector. The industry's joint work on "Step Change for Safety" (PILOT) and "Working Together for Safety" (SfS) has provided additional leverage to improve safety performance. The mutual sharing of best practice, expertise, knowledge and resources - as exemplified by the Fatality Review Report - has allowed the industry in both the UK and Norway to form a solid basis from which to work towards delivering enhanced safety performance.

Regulation, Gas and Infrastructure

Closer co-operation between the UK and Norway required a number of regulatory and infrastructure issues to be addressed and subsequently resolved in order to enable free movement of all hydrocarbons across the median line and allow full realisation of cross-border opportunities. All these issues progressed well in the sub-groups handling them. UK gas infrastructure issues were also addressed, including uncertainty around the National Transmission System (NTS) entry process. In particular, it emerged that the NTS has the capacity for Norwegian gas imports. With regard to gas sales specifications, the DTI has now launched a project to assess the impact of gas imports on gas quality in the UK.

In April 2003 the UK government announced its intent to grant exemption from Petroleum Revenue Tax (PRT) on tariffs on existing UK infrastructure business. This will come into effect on 1st January 2004 and applies to projects approved after April 2003. This will deliver the fiscal level playing field for new tariff business sought by the industry and addressed in Recommendation 6 of last year's North Sea Co-operation Report concerning Operation Synergies.

EXECUTIVE SUMMARY Cont'd

The UK and Norway have explored opportunities where operational synergies can work. For example, "Open skies co-operation" has been agreed and is already operational in one area where it facilitates movement of personnel and reduces their flying time. Cross-border studies have confirmed that Sea Air Rescue and the sharing of Standby Vessels are also technically feasible and it is recommended that a new cross-border Operational Synergies Group would be the best vehicle to progress new ideas for future synergistic working.

Mutual Open Market Access

The UK and Norway are committed to the concept of 'mutual open market access'. A number of projects aimed at achieving this objective have been delivered including, UK-Norway Share Fairs, and Supply Chain Guidelines for doing business in the UK and Norway. In addition, a single pre-qualification system and an integrated business directory of suppliers will be delivered in 2004 together with a cross-border Business-to-Business Mentoring scheme.

The Way Forward

The establishment of relationships and successful interfaces between governments and industry through the Implementation Group and its working sub-groups, have been key factors in moving cross-border co-operation forward and in developing mutual understanding. It has been agreed that a cross-border Leadership Group will continue this work, meeting at least twice a year.

In support of this, a joint PILOT and KON-KRAFT meeting will take place on 2nd and 3rd December 2003. The work of the Consultation Group will also continue under the Leadership Group, progressing the new Treaty Guidelines as well as finalising with DTI and MPE the existing 1998 Framework Agreement Guidelines status. The Supply Chain Group has also agreed to continue and Safety will continue to be a focus of the Cross-Border Leadership Group through the Step Change in Safety and Working Together for Safety groups. The new Treaty principles will quickly create the environment needed to unlock value by lowering investment and operational costs per unit recovered and, it is hoped, begin to realise the co-operation prize estimated to be worth around \$2 billion.

To ensure momentum is maintained, an additional group will be established and challenged with seeking and monitoring

developments within the median corridor. This strengthening of relationships, together with a joint commitment from both governments to an open and transparent market on trade issues, will benefit hugely the supply chain in both Norway and the UK.

SUMMARY of WORKGROUP RECOMMENDATIONS

2002 RECOMMENDATIONS STATUS	Action Party
R1) Governments and Industry to maintain the good relations created during the course of this work and maintain the momentum in progressing the agreed recommendations in this report; PILOT and KON-KRAFT will establish an implementation group and continue to share good practice and experience in areas such as maximising recovery, economic analysis, technology, and skills.	DTI, MPE, PILOT, KON-KRAFT
R2) Formalise and deepen co-operation between PILOT and SFS safety groups to facilitate improvements in safety.	Step Change in Safety (PILOT) and Working Together for Safety (OLF)
R3) Governments to support freedom of movement of all hydrocarbons across the median line in order to maximize value creation on the principle of best available commercial solution.	DTI, MPE
R4) Create a new Framework Treaty within the timeframe required to facilitate cross-border opportunities which recognise Norway's supply and UK demand-side drivers.	DTI, MPE
R5) In parallel with the new Treaty, create a set of guidelines which will set out in practice how the articles of both the new and existing Treaties will apply.	DTI, MPE, Consultation Group
R6) Assess the impact of the UK fiscal regime on the competitiveness of infrastructure systems in promoting optimal hydrocarbon resource development.	DTI, IR, with Industry advice
R7) Industry to promote the required investment in the National Transmission System, particularly the connection from St Fergus, in order to ensure sufficient capacity and to reduce the uncertainty of cost and availability of NTS capacity. This will provide greater confidence for Norwegian producers and benefit UK security of supply.	Implementation Group in dialogue with DTI, Ofgem, Transco and Norwegian Suppliers
R8) Promote the need for improved compatibility of UK, Norwegian and continental gas sales specifications by dialogue between respective Ministries and stakeholders.	DTI, MPE, Gassco, Ofgem, HSE, Transco, Terminal operators
R9) Establish a mechanism to manage efficiently the UK and Norwegian environmental impact assessment and approval processes as they affect cross-border developments.	DTI, DEFRA, SEPA, MPE, NPD, UK and Norwegian operators
R10) Expand the range of opportunities available to the UK and Norwegian Supply Chains through delivering: a) Mutual Share Fairs and seminars and b) Cross-border business-to-business mentoring.	TPUK and INTSOK in co-operation with industry
R11) Assess the need for a common Code of Practice for access to cross-border non-regulated infrastructure, based on the principles of the existing UK and Norwegian codes.	Consultation Groups
R12) Simplify the processes to give mutual access to the UK and Norwegian markets by creating guidelines to advise the Supply Chain on regulatory compliance.	DTI, MPE, TPUK, INTSOK
R13) Work to improve mutual open market access across the North Sea by creating a single pre-qualification system for UK and Norwegian contracts and an integrated business directory of suppliers for the UK and Norway.	UK and Norwegian Operator and Contractor subscribers together with FPAL and Achilles
R14) Assess the practicalities around realising the benefits of cross-border sharing of standby vessels and ground aviation facilities.	Industry and Regulatory Agencies

Recommendation delivered

Recommendation delivered and work commencing in the next phase

Good progress made. Work to continue into the next phase



OVERVIEW

The Norwegian and UK governments both recognise that it's vital to ensure that North Sea oil and gas activities are globally competitive. To achieve this, each government is seeking to establish effective frameworks to achieve maximum value creation through:

- Efficient recovery of resources
- Optimal development and use of infrastructure
- Enhanced security of supply for consumers
- Improved market access for producers

In each country, government and industry have found that new relationships and improved co-operation are key enablers to unlocking value and improving health, safety and environmental performance. In fact, several examples of cross border co-operation already exist, such as the joint development of the Frigg, Statfjord and Murchison fields and the construction and operation of the Heimdal-Brae and Ekofisk pipelines, all of which are underpinned by their relevant Treaties.

Figure 1 provides an overview of a section of the present North Sea gas infrastructure systems. In addition, the recent Framework Agreement on Interconnecting Submarine Pipelines has been put in place to facilitate future cross-border pipeline connections on our respective continental shelves.

At ONS 2002, the UK-Norway Workgroup report "Unlocking Value through Closer Relationships" put forward fourteen concrete recommendations to industry and governments that it was felt would facilitate further cooperation across the border. These recommendations have now been followed-up by industry work groups on both sides of the border, conducting both separate and joint meetings for the purpose of implementing the recommendations. The work groups have reported to an Implementation Group consisting of representatives from industry, the supply chain and governments on both sides of the border. The results of this work are presented in this updated report.

On 2nd October this year, Norwegian and UK Energy Ministers Einar Steensnaes and Stephen Timms agreed on the key principles for regulating a wide range of potential cross-boundary oil and gas projects, including pipelines. This agreement has the potential to fulfil up to one fifth of the UK's annual gas demand and one fifth of Norway's annual gas production. This is a landmark in energy co-operation between the two countries.

The process over the past year has been very informative for both industry and governments, and it is hoped that this will encourage further efforts in co-operation across the border.

Fig 1 - North Sea Gas Infrastructure Corridor Overview



VALUE CREATION

Context

The August 2002 Co-operation report identified the potential for significant value creation from closer cross-border co-operation. Some co-operation would have happened anyway but the PILOT/KON-KRAFT initiative aimed to create additional value by accelerating and expanding on this. However, it should be recognized that quantifying the size of the prize was not an exact science.

At the qualitative level, it is anticipated that the visibility of the UK Norway co-operation process will change industry perceptions concerning the reality of the median-line as a barrier. This improvement in confidence may well be just as significant as the current expectations of what this exercise can deliver. That said, it was estimated that through improved co-operation, a prize of up to \$2 billion (pre-tax) would be released in the period to 2010 across the Co-operation Corridor - a 60 km zone extending either side of the trans-boundary line.

The analysis suggested that enhanced value creation could come from a number of activities:

- Developments and redevelopments
- Accelerated development
- Efficient transportation
- Operational synergies
- Decommissioning

Progress

Eighteen months on, it is still too early to expect much tangible progress in terms of enhanced value creation in the Co-operation Corridor (at least that can be measured unambiguously). Ideally we would also hope to distinguish, as far as possible, between activity that would have happened anyway and increased activity directly attributable to the co-operation process.

Activity Summary

Since January 2002 the following activities have occurred within the Co-operation zone:

Exploration and Appraisal

UK

In the period between 1 January 2003 and 30 August 2003, 14 wells were drilled in the UK sector of the co-operation area. Of these, 9 were exploration wells (yielding 2 discoveries) and 5 were appraisal wells.

Norway

In the period between 1 January 2002 and 10 August 2003, a total of 22 exploration and appraisal wells were completed in the Norwegian sector of the co-operation zone. Of these, 13 were wildcats (yielding 8 discoveries). Of these 8 discoveries, 2 are now in production, 1 is scheduled to be approved later this year, 3 are scheduled to be approved during next year, and 2 are considered non-commercial.

Potential Developments Cross-border

Discussions have progressed on a number of potential developments for new fields and incremental projects on existing fields over the last year. Marathon is actively looking at options for developing its recent discoveries in the Norwegian PL 203 area, some of which have the potential for cross-border connections.

In the Staffjord area, licensees have been reviewing their options for depressurisation, including a potential tie-back across the median line to Brent and gas evacuation via the FLAGS pipeline to St Fergus. On the wider infrastructure front, plans for the new pipeline to carry gas from Ormen Lange to the United Kingdom are now at an advanced stage. The partners in this venture have agreed on a route from Ormen Lange to Easington via the Sleipner platform. This would provide maximum flexibility for transferring gas between the main export pipelines and enhance security of supply.

Development projects involving large capital investments generally have long gestation periods, therefore it's encouraging to see projects coming forward for approval near term. By focussing on the obstacles to developing trans-median line projects, the work of the Co-operation Group will prove significant in removing barriers and reducing risk and will create an environment where the gestation period can be shortened.

SUMMARY of WORK GROUP'S OUTPUT / RECOMMENDATIONS STATUS

Recommendations Status

The Workgroup Recommendations and current status are summarised in the tables below:

RECOMMENDATION 1

R1) Governments and Industry to maintain the good relations created during the course of this work and maintain the momentum in progressing the agreed recommendations in this report; PILOT and KON-KRAFT will establish an implementation group and continue to share good practice and experience in areas such as maximising recovery, economic analysis, technology, and skills.

Status The joint UK Norway Implementation Group is responsible for facilitating the adoption of all the recommendations from the 2002 report. Reinforcing the importance of UK Norway North Sea co-operation, participants in the Implementation Group include leaders from some of the largest players in the UK and Norwegian continental shelves (See Appendix 1 for more detail). To date five meetings have been held over the course of the year, as well as many meetings in the Working Groups reporting into the Implementation Group. This has fostered good working relations between the UK and Norway and has improved mutual understanding, which will continue to grow and bring benefits in the future.

RECOMMENDATION 2

R2) Formalise and deepen co-operation between the "Step Change in Safety" (PILOT) and the "Working Together for Safety" (SfS) groups to facilitate improvements in safety.

Status Both Norway and UK have a common interest for improving safety performance in their respective Offshore Operations and across the Oil & Gas industry in general. Both 'Step Change in Safety' (SC) and 'Working Together for Safety' (SfS) are existing initiatives designed to move safety forward. Both groups have met, shared ideas and currently have representation on a joint safety forum.

The Norwegian/UK industry cooperation for improving safety will occur through:

- Sharing a common vision for safety and commitment to improve

- Establishment of co-operation and good relationships
- The open sharing of Best Practice
- Regular meetings at project level to give input to individual or common Safety initiatives and events
- Sharing of learning from incidents/accidents
- Co-operation in planning

Existing areas with immediate potential for co-operation in 2003:

Fatality Review Report sharing (complete), High Potential Incidents/Statistics, Dropped Objects Forum, Marine Operations Anchor Handling.

In addition, there are also a number of other groups working with safety related issues which are not coordinated through SfS or SC. These groups will be identified and highlighted as 'working progress in co-operation'. The role of SC and SfS representatives is to facilitate sharing of best practice and ensure that opportunities are maximised on both sides of the border.

During 2003 it was recognised by SC and SfS that the focus of the co-operation should be to nurture working relationships and encourage existing groups involved in safety related forums to continue their co-operation. This approach is seen as key to facilitating future progress. Regular meetings between SfS and SC to inform about achievements, experiences, new ideas and best practice have taken place and these will continue.

RECOMMENDATION 3

R3) Governments to support freedom of movement of all hydrocarbons across the median line in order to maximize value creation on the principle of best available commercial solution.

Status This is an ongoing action and is demonstrated by governments' work on the framework and industry's pursuit of opportunities to realise value.

RECOMMENDATION 4

R4) Create a new Framework Treaty within the timeframe required to facilitate cross-border opportunities which recognise Norway's supply and UK demand-side drivers.

Status On 2 October 2003, in Oslo, the UK and Norwegian Governments agreed the key principles which will be incorporated in a new treaty between the two

Governments, setting a framework for regulating a wide range of potential cross-border projects. The new treaty will cover the development of new fields that straddle the maritime boundary, the use of installations on one continental shelf to exploit resources on the other side of the boundary and the construction, laying and operation of a range of pipelines including landing pipelines.

In drawing up the key principles to be incorporated in the new treaty, the two Governments have set out their respective roles in facilitating the realisation of cross-boundary projects. They have looked to provide a fair balance of opportunity to licensees on the two Continental Shelves, along with regulatory clarity for cross-border projects. The key principles will form a firm basis for new investments by the industry.

The two Governments will complete the drafting of the treaty as soon as possible.

RECOMMENDATION 5

R5) In parallel with the new Treaty, create a set of guidelines which will set out in practice how the articles of both the new and existing Treaties will apply.

Status A key recommendation of the 2002 UK-Norway Co-operation Workgroup Report was the creation of a set of guidelines to set out in practice how the articles of both the new and the existing Treaties would apply. A further recommendation was the establishment of a mechanism to manage efficiently the UK and Norwegian environmental impact assessment and approval processes since these directly affect cross-border developments.

Work on these two recommendations is being undertaken by the joint UK-Norway Treaty Consultation Group, a sub-group of the UK-Norway Implementation Group. This joint Consultation Group is comprised of representatives from a number of companies operating fields in the UK and Norwegian sectors. Work on individual articles is being undertaken by other workgroups reporting to the Consultation Group (Appendix 2).

This particular group is focusing on the two recommendations for the existing Framework Agreement. This agreement - which came into force in 1998 but which has not yet been tested - covers the laying, operation and jurisdiction of new offshore cross-

border pipeline interconnections that straddle the maritime boundary between the UK and Norway and connections into those pipelines.

The purpose of these guidelines will be twofold:

- To provide simple, pragmatic guidance and roadmaps for companies wishing to construct pipelines linking infrastructure on either side of the UK-Norway median line
- To provide guidance to third parties wishing to gain access to spare ullage in existing cross-border interconnecting pipelines

Primarily, the draft guidelines will aim to provide guidance in the areas of approval & consents, priority and third party access, and engineering standards. In due course the draft guidelines to the 1998 Framework Agreement will be submitted to the DTI/MPE and made available on the Pilot website. Further discussions will need to take place between industry and Governments as to the exact status of these draft guidelines and whether they could be endorsed formally by the two Governments as a means of clarifying existing regulations and practice. It is anticipated that the joint Consultation Group will re-form to develop a follow-up set of guidelines to any new Framework Treaty agreed between the UK and Norway.

RECOMMENDATION 6

R6) Assess the impact of the UK fiscal regime on the competitiveness of infrastructure systems in promoting optimal hydrocarbon resource development.

Status Clear progress has been made through delivery on Recommendation 6. Following discussions between the industry and the UK authorities, an announcement was made in the April Budget proposing the removal of Petroleum Revenue Tax (PRT) from new tariff business. New tariff business will comprise tariffs arising from 1 January 2004 under contracts relating to new fields or new users of infrastructure on the UK continental shelf and entered into on or after 9 April 2003.

This has delivered the fiscal level playing field for new tariff business as requested by the industry. Lowering the tax burden on new business will improve the competitive position of infrastructure liable to PRT, thus creating a level playing field between new and existing

infrastructure without causing any disadvantage to existing infrastructure. There is expectation that the tax benefit will be passed on to tariff payers, resulting in a significant reduction in tariff levels for new business. Additionally, the lower tariff levels should also encourage development and exploration activity in due course.

Across the UKCS as a whole, additional developments resulting from the tax change could reasonably be estimated to represent a prize of up to 700 million boe. And by 2010, production could well be 100 mboepd higher than might otherwise have been the case. A significant proportion of this prize will be attributable to developments in the Co-operation Zone. Following this successful process, the UK industry and Government are currently engaged in a new dialogue to investigate mechanisms to encourage even more exploration activity and remove barriers to infrastructure access. Any resultant policy changes will be seen as positive in terms of promoting activity in the Co-operation Zone.

Actions on the fiscal framework in both jurisdictions are viewed as highly significant in determining the evolution of the basin and this issue will play a key role in underpinning and expanding the value creation prize.

RECOMMENDATION 7

R7) Industry to promote the required investment in the National Transmission System, particularly the connection from St Fergus, to ensure sufficient capacity and to reduce the uncertainty of cost and availability of NTS capacity. This will provide greater confidence for Norwegian producers and benefit UK security of supply.

Status The Gas and Infrastructure Workgroup were responsible for exploring recommendations 7, 8 and 11 (see Appendix 1).

The Workgroup established three sub-groups and drew resources from both the UK and Norwegian representatives to ensure that the appropriate knowledge and expertise was available to optimise the studies undertaken.

The National Transmission System sub-group has completed its work and issued a report on its findings. The support of Transco in this sub-group has been particularly appreciated. The group concluded that:

- Sufficient physical capacity exists across the NTS to

handle currently projected levels of Norwegian gas imports and

- The Long Term Entry Capacity Auction process has demonstrated that long term entry capacity is available at predictable prices

The group also worked with Gassco to develop an understanding on the operation of the Gasled system (i.e. Norwegian Continental Shelf (NCS) gas infrastructure).

RECOMMENDATION 8

R8) Promote the need for improved compatibility of UK, Norwegian and continental gas sales specifications by dialogue between respective Ministries and stakeholders.

Status The Gas Specifications sub-group has completed its detailed analysis of the issues surrounding gas specifications between the UK and Norway. Areas of difference have been identified (particularly relating to the Wobbe Index and Carbon Dioxide) and potential solutions identified, including blending and modification of the Gas Safety (Management) Regulations (GS (M) R) in the UK. Recommendations for further work have been made and this work will have to be completed before an optimal solution to facilitate Norwegian gas imports to the UK can be recommended. A UK Energy White Paper was issued in February 2003 that, amongst other matters, recognised the need to review UK gas specifications. In parallel, the DTI has launched a project to assess the impact of gas imports on gas quality in the UK. This project will address the key issues raised. Close liaison with the UK regulatory authorities has been maintained, particularly with regard to issues relating to GS (M) R, and the conclusions reached are consistent with current thinking. The capacity for blending within the Gasled system was scrutinised and Gassco - as operator of the Gasled system - provided an important contribution to this work.

RECOMMENDATION 9

R9) Establish a mechanism to manage efficiently the UK and Norwegian environmental impact assessment and approval processes since they affect cross-border developments.

Status Progress on this has been made in the context of inter-connecting pipelines (i.e. the 1998 Framework Treaty).

Having now studied this area, it is not thought that a single mechanism to manage environmental impact assessment and approval processes would be constructive, either in this specific area or in the broader context. The workgroup identified that in many areas, co-operation was already happening and regulators were already working closely in matters concerning protection of the environment. Environmental approval processes are well understood but are complex and they differ on each side of the median line. The permits and consents processes for both jurisdictions are summarised in the Treaty Guidelines report which will be published on the PILOT website at www.pilottaskforce.co.uk.

In the area of chemical controls, it was felt that closer working could benefit industry further. Decommissioning plans are very similar and regulators follow an informal process. The workgroup recommended that these processes be formalised in order to create more certainty concerning the route to be followed. This approach to decommissioning may potentially be extended to wider environment approval processes. Regarding residual liability, the issues are more complex and industry encourages efforts from both nations to bring greater certainty. Environmental cross-border issues will be looked at on a case-by-case basis, but should sufficient need for a common approach be identified in any particular area, this could be addressed through the Consultation Group forum.

RECOMMENDATION 10

R10) Expand the range of opportunities available to the UK and Norway Supply Chains through delivering Mutual Share Fairs, cross-border Business-to-Business Mentoring and seminars.

Status The unique and novel concept of mutual share fairs proved to be a huge success. The objective of the UK-Norway Share Fairs was to open up supply chain opportunities to both the UK and Norwegian supply chains by giving operators and prime contractors the opportunity to present their development plans and by providing contact details to the host country supply chain. Three events have taken place so far with indications that both presenters and delegates were very pleased with the outcome. The first Share Fair in Norway had 275 attendees across industry, with 88% of attendees stating that they would go to a similar event in the future. While

it is still too early to place a monetary value on this particular initiative, events will be closely monitored and outcomes carefully analysed.

The concept of Business-to-Business Mentoring has already operated successfully in the UK for some time, but a cross-border mentoring scheme is a new and exciting development. The aim is to assist SME companies gain a better understanding of working cultures and practises in each other's countries with a view to being able to do business cross-border. A small pilot scheme involving six companies from each country (three mentors and three SME's) will be launched early in 2004.

RECOMMENDATION 11

R11) Assess the need for a common Code of Practice for access to cross-border (non-regulated) infrastructure, based on the principles of the existing UK and Norwegian codes.

Status The work of the sub-group identified that, while there are some similarities between the UK and Norwegian documentation on third party access to infrastructure, there was little value in seeking further alignment since they do not address the same types of infrastructure e.g. Norwegian pipeline infrastructure is in a regulated single system (Gassled).

However, Norway will review their processing code to see if it could be strengthened or amended and will give consideration to the UK Code. This is considered to be a positive initiative since it will enable a consistency of approach to be developed. And it will be of particular value to the development of reserves in the corridor adjacent to the median line.

Substantive measures that cover many Code of Practice issues are being addressed within the drafting of the Guidelines for the existing 1998 Framework Treaty.

RECOMMENDATION 12

R12) Simplify the processes to give mutual access to the UK and Norwegian markets by creating guidelines to advise the Supply Chain on regulatory compliance.

Status Good progress has been made on both sides. Trade Partners UK have produced a Norway market report which is available on their website at www.norwaymarketreport.com. This compliments

INTSOK's monthly report which covers specific UK market opportunities. Both organisations have undertaken to update these reports.

RECOMMENDATION 13

R13) Work to improve mutual open market access across the North Sea by creating a single pre-qualification system for UK and Norwegian contracts and an integrated business directory of suppliers for the UK and Norway.

Status While this has been widely acknowledged as the toughest challenge for the Supply Chain Sub-group, good progress is now being made with a phased timetable for implementation in place. The deliverables have required Norway's Achilles JQS and the UK's First Point Assessment Limited (FPAL) to work together closely. During Phase 1 an integrated business directory of North sea suppliers, primarily covering those based in the UK and Norway was agreed with a planned launch in December 2003. During Phase 2 the two pre-qualification systems will be harmonised to the extent possible and commence with a single registration questionnaire by mid 2004. Success in this area will significantly simplify cross-border bidding and will be much welcomed by the supply chain on both sides of the North Sea.

RECOMMENDATION 14

R14) Assess the practicalities around realising the benefits of cross-border sharing of standby vessels and ground aviation facilities.

Status One of the recommendations was the establishment of a Logistics Operational Synergies sub-group to assess the practicalities around realising the benefits of cross-border Logistics synergies. Four cross-border synergies were pursued by this sub-group: open skies co-operation, cross-border Sea-Air Rescue, stand-by boat sharing and best practice sharing.

The common UK-Norway Operational Synergies Group initially developed a cross-border study of the Tampen area. The sub-group then developed further, the possible synergies already identified in the 2002 report and, where value was perceived, developed practical solutions for the Tampen area. The value gained from implementing each of the synergies has been quantified and extended to other areas beyond Tampen. Findings

will be shared with stakeholders outside the Tampen area in order to gauge further interest in developing new synergies.

Best practice sharing areas were also identified. Prioritised information was shared with relevant parties, including for example, crane simulator training linked to vessel/platform operations and animation training techniques for anchor handling operations.

Open skies co-operation

An agreed approach was undertaken to use Norwegian airports to transport personnel to the UK sector – predicted value £1m/yr (weather permitting). Other industry bodies i.e. The OGP North Sea Harmonisation Group, are currently working on aviation technical and equipment standardisation. The aim here is long-term safety gain which would underpin possible future synergies e.g. supporting UK NNS platforms from Norway.

Cross Border Sea Air Rescue (SAR) - share aircraft housed on Statfjord B

The sub-group has confirmed that it is technically possible to house a Puma on Statfjord B. Initial reviews indicate possible safety improvements and a business case from an approach using fewer Standby Vessels (SBV's) replaced by multi-role-vessels and a S.A.R. Super Puma shared in the Tampen area. BP links future development of this synergy to proving the "Jigsaw" concept and integrating this concept in the Tampen area with uptake by other operators. Work is ongoing on this item.

Sharing standby vessels

countries, a technical review has confirmed that SBV cross-border sharing is possible. Initial reviews indicate that sharing between Dunlin and Statfjord is not operationally or commercially attractive. A standard process will be available to test other cross-border sharing opportunities. Potential locations will be identified and observations passed on to the relevant operators.

The sub-group has suggested that there is a long-term need for a cross-border logistics synergy team. This team will carry on contributing to the SAR project and will facilitate ongoing sharing of best practices and knowledge.

UK-NORWAY NORTH SEA CO-OPERATION WORKGROUP – FUTURE ROLE

Implementation Group

Based on the substantive progress made by the Implementation Group, agreement has been reached that a UK-Norway Leadership Team will continue the momentum of cross-border co-operation. The ongoing aim is to facilitate the realisation of benefits for both countries in doing so. They will meet at least twice in 2004, with the first joint KON-KRAFT and PILOT meeting being held in December 2003 to set the scene and move the process forward. The Leadership Team will continue to host representation from Government, Industry and the Supply Chain. It will drive the vision onwards and focus on moving forward, monitoring key issues on framework clarity and value creation as well as maintaining momentum on mutual understanding. It has been agreed that key co-operation activity groups will work with the Leadership Team. In particular, a Consultation Group for Treaty Guidelines and framework issues, and a Supply Chain Group building on activities and progress in the supply chain. Safety will continue to be a focus of the Leadership Team through the existing Step Change in Safety (SC) and Working Together for Safety (SfS) groups.

Communications Strategy

The overriding aims of communications relating to UK-Norway Co-operation are:

- The smooth and transparent delivery of the recommendations set out in the UK-Norway Co-operation Report
- The wider dissemination of information to both industry and the public at large
- The engagement of the relevant stakeholders
- The management of reputational aspects.

The key communications for 2002-2003 relate to:

- The negotiation and signing of a new treaty between the UK and Norway, including the launch of the 2002-2003 UK-Norway Report
- Offshore Europe, 2nd-5th September 2003

The DTI and MPE are responsible for managing the implementation of the communication strategy and the main communication milestones for 2002-2003 are shown in the Key Events calendar below:

Key Events Calendar 2002-2003

UK-Norway Implementation Group Meetings

29 November 2002	Aberdeen
24 January 2003	Aberdeen
1 April 2003	Stavanger
27 May 2003	Aberdeen
18 August 2003	Oslo
Q 3/4 2003	Agreement of terms for the new UK-Norway Treaty

Other Relevant Meetings / Events

November 2002	
28-29 November	Norwegian Gas Conference
February 2003	
24 February	UK Energy White Paper
April 2003	
2 April UK	Norway Collaboration Share Fair in Stavanger, Norway (Recommendation 10)
9 April UK	2003 Budget PRT removal for new pipeline tariff business announced (Recommendation 6).
May 2003	
1 May	LOGIC Annual Conference, Aberdeen
14 May	UK-Norway Collaboration Share Fair in Aberdeen (Recommendation 10)
16 May	UK-Norway, Collaboration Share Fair in Newcastle, attended by Brian Wilson, former Minister for Energy (Recommendation 10)
September 2003	
2-5 September	Offshore Europe, Aberdeen
24-25 September	The Oslo Petroleum Conference
October 2003	
2 October	UK & Norwegian Governments co-sign new Framework Treaty Principles
December 2003	
2-3 December	Joint PILOT/KON-KRAFT meeting, London.

Communication

The usual means of communication will apply, including paper, web, press releases, presentations and interviews. All UK-Norway reports and press releases will be available from the following websites:

<http://www.pilottaskforce.co.uk> and <http://www.oed.dep.no>

REFERENCES

(all available on Web)

"Unlocking value through closer relationships" – Report of the UK-Norway North Sea Co-operation Workgroup – London & Oslo – August 2002 (www.pilottaskforce.co.uk)

(Framework Agreement 1988) – Command Paper 5762 – Framework Agreement between UK & Norwegian Governments relating to laying, operation and jurisdiction of interconnecting submarine pipelines (www.official-documents.co.uk)

Offshore Infrastructure Code of Practice 1996 (DTI) (www.og.dti.gov.uk)

Recommended Guidelines on the Rules and Procedures Governing Access to offshore Production Infrastructure – 2001 (www.og.dti.gov.uk)

Scottish Development International/Trade Partners UK – Norway Oil & Gas Market Survey – 2003 (www.norwaymarketreport.com)

WEB LINKS

Websites relevant to issues raised in this report include:

www.og.dti.gov.uk (UK Department of Trade & Industry)
www.oed.dep.no (Norwegian Ministry of Petroleum & Energy)
www.npd.no (Norwegian Petroleum Directorate)
www.pilottaskforce.co.uk (PILOT)
www.fco.gov.uk (UK Foreign & Commonwealth Office)
www.hm-treasury.gov.uk (UK Treasury)
www.odin.dep.no/fin (Norwegian Ministry of Finance)
www.tradepartners.gov.uk (Trade Partners UK)
www.norwaymarketreport.com (Guide to doing business in Norway)
www.olf.no (Norwegian Oil Industry Association)
www.ukooa.co.uk (United Kingdom Offshore Operators Association)
www.og21.org (Oil & Gas in the 21st Century –Norwegian Ministry of Petroleum & Energy)
www.ntc.no (Norwegian Trade Council)
www.fpall.co.uk (First Point Assessment Ltd)
www.achilles.com (Achilles Group)
<http://step.steel-sci.org> (Step Change in Safety)
<http://www.transco.uk.com/> (Transco)
www.gassco.no (Gassco)
<http://www.samarbeidforsikkerhet.no/> (Working Together for Safety)

WEB APPENDICES

www.pilottaskforce.co.uk and www.oed.dep.no

GLOSSARY

Abbreviations used in this document:

BOE	Barrels of Equivalent
DEFRA	UK Department for the Environment, Food and Rural Affairs
DTI	UK Department of Trade and Industry
FPAL	First Point Assessment Limited
HSE	UK Health and Safety Executive
INTSOK	Norwegian Oil and Gas Partners
IR	Inland Revenue (UK)
LOGIC	Leading Oil & Gas Industry Competitiveness (UK)
MBOEPD	Million Barrels of Equivalent Per Day
MPE	Ministry of Petroleum and Energy
NCS	Norwegian Continental Shelf
NNS	Northern North Sea
NPD	Norwegian Petroleum Directorate
NTS	UK's onshore National Transport System
Ofgem	UK Office for Downstream Gas and Electricity Regulation
OGP	International Association of Oil & Gas Producers
OLF	Norwegian Oil Industry Association
PRT	Petroleum Revenue Tax (UK)
SAR	Sea/Air Rescue
SBV	Stand-by vessel
SC	Step Change in Safety (UK)
SfS	Working Together for Safety (Norway)
SEPA	Scottish Environmental Protection Agency
SME	Small to Medium sized Enterprise
TPUK	Trade Partners UK
UK	United Kingdom of Great Britain and Northern Ireland
UKCS	UK Continental Shelf

APPENDIX 1 – IMPLEMENTATION GROUP STRUCTURE

R numbers (1,2,3...etc) refer to Recommendation numbers in the 2002 UK Norway report

APPENDIX 2

WORK GROUP PARTICIPANTS (AS AT JULY 2003)

UK-NORWAY NORTH SEA CO-OPERATION IMPLEMENTATION GROUP	
UK	NORWAY
Tom Botts (Shell) Iain Todd (DTI) Scott D. Urban/CJ Warner (BP) Sir Ian Wood (Wood Group) John Smith (Subsea 7) Michel Contie (TFE)	Henrik Carlsen (Statoil) Gunnar Gjerde (MPE) Johan Nic Vold (Norske Shell) Torstein Dale Sjøtveit (Norsk Hydro) Rolf Waage (Aker Kvaerner)
JOINT TREATY CONSULTATION GROUP Sponsors – Scott D Urban/CJ Warner (BP) and Henrik Carlsen (Statoil)	
UK	NORWAY
Andrew Hogg/Andrew Hadjitofi (BP) – Lead Davis Farthing (Conoco) Andrew Knights (TotalFinaElf) Peter Jones (Marathon) Ben Taylor (Shell) Phil Murphy (BG Group) Maurice Jenkins (Paladin)	Per Torfinn Knudsen/ Geir Lindholdt (Statoil /Norsk Hydro) – Lead Aage Espedal (Statoil) Gunnar H. Olsen (Total) Peer Albert Kongshaug (ExxonMobil) Øystein Atle Roti (Shell)
GAS and INFRASTRUCTURE GROUP Sponsors – Michel Contie (Total) and Johan Nic Vold (Shell)	
UK	NORWAY
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SAFETY GROUP	
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LOGISTICS GROUP	
Sponsors – Henrik Carlsen (Statoil) and Tom Botts (Shell)	
UK	NORWAY
Chris Paul (Shell) – Lead Brian Cavan (BP) Richard Hambly (BP)	Stig Hofstad (Statoil) – Lead Erik Hamremoen (Statoil) Osvald Ystebø (Statoil)
SUPPLY CHAIN GROUP	
Sponsors – Sir Ian Wood (Wood Group)/John Smith (Subsea 7) and Rolf Waage (Aker Kvaerner)	
UK	NORWAY
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VALUE CREATION ADVISORY GROUP	
Sponsors – Workgroup	
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GOVERNMENT LIAISON ON TREATY AND RELATED ISSUES	
UK	NORWAY
Gill Campbell (DTI)	Gunnar Gjerde (MPE)
Report co-ordinators: Fiona MacLeod (Shell) and Katharine O'Connor (Shell)	

