

Falklands Islands Oil and Gas Development Readiness

This document considers, **from an oil and gas industry perspective**, the current and projected state of readiness of the Falkland Islands to host oil and gas development, commencing with a project which has a Financial Investment Decision planned for 2014. It is structured as a summary review of key oil and gas specific readiness plans, followed by a consideration of the broader plans and measures needed for sustainable growth in the Falklands which will also support oil and gas development.

This readiness review uses the structure of the Oil Readiness Checklist to organise feedback and should be read in conjunction with the April 2013 checklist. It does not consider matters related to FIG oil revenues.

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1. Summary and proposed priorities

Problem statement: "From an industry perspective does the Falklands Islands have the right things in place now or planned that will allow oil and gas development to be carried out safely and efficiently, with low environmental impact and in a way that benefits the Falkland's Islands overall"

The Falkland Islands are an attractive location for the Oil and Gas industry. On a country risk scale they would rank as low risk. There is an attractive fiscal regime, with a government and community keen to do business with the industry. Albeit with a low, but rapidly growing, industry knowledge, there is a core of skilled professionals in Government supported by industry experts from HMG (BGS, DECC and HSE). If progress can be maintained on the items already identified, and a few potential problems overcome then the industry will have all it needs to thrive as a valuable member of the Falklands Islands business and social community.

Highlights

- There is a five year plan which sets the desired economic and social context for development generally
- There is a checklist of items needed for oil readiness, several of which have been completed
- The readiness actions are broadly owned. FIG has a group of dedicated professional working as a team to deliver it. Their work style, diverse backgrounds and broad scope of their roles leads to actions being handled efficiently and from a broader perspective than just the oil industry
- FIG has a good port and related infrastructure plan
- HMG support from DECC, BGS and HSE
- Willingness to work with industry

Challenges

- There is not a statement of what the Falkland Islands wants from oil and gas development
- It's a long list and getting longer. It needs to be set out as a prioritised plan, with dependencies and a clear critical path. The industry may not be aware of the scope and state of progress.
- It's a small team. Some additional industry knowledge or specialist support may help them progress more efficiently
- Dialogue with industry needs to be reinforced to align schedules and satisfy short term needs.
- Sustained resourcing as activity increases
- Distance and limited local representation calls for specific outreach

Proposed Priorities

1. Agree and publish a simple statement of what the Falklands want from Oil and Gas Development. This will become a framework which will guide many other decisions and which the industry will use to guide many of their decisions
2. Turn the checklist into a plan, or at least establish priorities and do-able timeframes where one person has many actions. Use it as a tool to communicate to industry the progress which has been made and to set their future expectations.
3. Continue to find specialist support that can be flexed to the FIG needs.
4. Continue to work with HMG to assure their support. Create a long term plan beyond Sea Lion
5. Improve industry collaboration – some channels set below
 - a. Invite all operators to join the SOG once a month
 - b. Present FIG's readiness plans to Operators regularly
 - c. Establish a joint FIG/industry port working group to set out a common plan, or route map, to arrive at a solution
 - d. Develop specific relationships between FIG and leading players in industry.

2. Comments on oil and gas specific plans

N.B. All comments start from the position of all readiness items being delivered as planned.

Legal and Regulatory Framework

- Tax legislation: Agree that these items are high priority to resolve. Specifically, the industry will need resolution, probably by 3Q, on taxation of FPSO leasing costs.
- Regulation (2d): Several substantial actions. Suggest high priority on DECC / HSE support, safety and environmental case, FDP update and the policy statement. Suggest considering hiring a consultant or company to assist with defining and implementing enhanced emergency Planning and Response capabilities.

Maximising Local Economic and Community Benefits

- Actions in this section are already well prioritised.
- Insure wording is read as seeking industry collaboration / support only in areas of joint interest e.g. education, environment.

Port and Stanley Airport

- Port: Progress is good. Find a way to improve engagement with industry.
- Stanley Airport: The industry could have HSE issues with the rotation arrangements MPA→Stanley→Offshore due to the road (not just surfacing, shoulders/drop off will also be an issue). Suggest FIG engage in a comprehensive dialogue with industry on this at the right time.
- Workers Camp: Support that the Contractor Companies provide temporary accommodation – they are accustomed to doing this. FIG should have minimum standards and operating requirements (waste disposal, dry camp decision, security etc.)

Infrastructure Needs

- Housing: Avoid provisions that lead to an oil workers enclave.

Policy Decisions - no comments

Other issues

Observation: Many actions rely on the Sea Lion EIA – need to insure all guidelines /regulations are consistent in requiring Social Impacts to be included in the EIA.

Delivering the Checklist

- Develop the checklist into an action plan. This could significantly help resource planning, prioritisation and communication.

3. Comments on broader plans which also support oil and gas development

There is a body of work ongoing which will provide an appropriate economic and social backdrop for the oil and gas industry. The 2012 'The Islands Plan', contains many elements which will variously help the industry integrate and thrive or where the industry can contribute. A few of the elements deserve special mention

Employment and immigration: Having an objective immigration procedure is important to the industry. One that has clear pathways to status will also assist in the oil industry being a part of the long term fabric of the community.

Education: The industry should be encouraged to participate in education, particularly to help islanders access roles in the industry, and in industry specific technical training.