

Highlights of 2008

An introduction from the Chair:



It is always difficult to summarise a global organisation's year of activities and achievements in just a few words. For 2008, with all of its financial, political and social upheavals that holds particularly true.

Yet looking back on the year, some themes for OGP and the industry we serve clearly emerge.

The first is access to essential exploration and production acreage. No matter what happens to the world's economies in the next two or three years, the upstream industry – as ever – must look to the long term. In our business, when the gap between first finding hydrocarbons and ultimately bringing them to the surface can be measured in decades, the future is now. That is why so many of OGP's committees, sub-committees and task forces spend so much of their time on issues that have a bearing on access. It is up to OGP to help find the facts and develop the arguments that will enable member companies to persuade governments and other international bodies that upstream activities can be compatible with sustainable development. Our work on sound and marine life – both directly and through the management of a joint industry programme – provides a prime example.

So does OGP's more recent emphasis on the Arctic. In 2008 we started to identify and then explore some of the issues involved in working in one of the globe's most challenging areas. Now, with a special co-ordination task force reporting directly to the Management Committee, we are preparing to serve the membership in a wider international advocacy role as required.

Meanwhile, the upstream industry has to make the most of what we already have – the production facilities, terminals and pipelines that currently provide the oil & gas on which the world relies. Some of this kit is decades old. Most of it has been adapted at one point or another to suit changing requirements. The current and future integrity of these assets has rightly become a prime objective for OGP.

Asset integrity is closely linked to the issues on which OGP was founded 35 years ago: safety and the environment. The goal of safe and clean upstream operations continues to be OGP's primary focus.

Clearly, the Association has a wide remit and we cannot do everything on our own. That is why OGP continues to improve links with other organisations around the world. By working together, we can avoid duplication and focus on those areas in which we can be most effective. That is one way to ensure that member companies get maximum value from their subscriptions. Another is a general cost consciousness to reduce expenditure on travel and commitments in sweat equity.

To help balance all this while maintaining OGP's high level of productivity, in 2008 we strengthened the secretariat with new people and new roles in both London and Brussels. It was a good decision.

Now, with our enhanced secretariat working in partnership with the hundreds of people from member companies who serve on OGP's committees and task forces, we can face a challenging future with confidence.

*Raphael Vermeir,
March 2009*

Speaking for the upstream industry

During a year that saw record crude oil prices and serious concerns about supplies, the upstream industry was often in the spotlight. For OGP that meant an enhanced advocacy programme, representing E&P interests before a wide range of international bodies.

For example, the Association continued to strengthen its dialogue with the European Union. Things got off to a promising start in January, when an OGP delegation met with European Union Energy Commissioner Andris Piebalgs to discuss the regional issues that also have global impact. These

included European primary energy demand, indigenous production, oil & gas supply forecasts and carbon capture and storage. The Commissioner also asked OGP for information on European production and its impact on security of oil & gas supply.

A month later, Commissioner Piebalgs came to OGP as guest of honour at the Management Committee's annual Brussels dinner. In a pre-dinner address, Brussels's senior energy figure thanked OGP for the Association's engagement and noted that, given the magnitude of challenges facing the energy sector, the EU and upstream industry must face them together.

Taking that invitation and the message to heart, OGP worked with the European

national associations, MOL, companies in Poland, Romania and relevant Member State officials to produce a comprehensive 76-page submission for the Commission's strategic energy review. The submission included recommendations on five priority areas covering legislation and regulation, the fiscal regime, technology development, recruitment and communications.

In July, under the auspices of OGP, four officials from the EU directorate responsible for transport and energy issues had the opportunity to see for themselves two of Europe's most important upstream facilities at work: the ExxonMobil and Wintershall/Wingas gas storage facilities in Dötlingen and Rehden.

In the autumn, OGP worked closely with the European Parliament on reports concerning the Second Strategic Energy Review and challenges to oil supply. The reports echoed the need to create an investment-friendly environment in Europe and beyond.

But the EU is not the only regional body that has a bearing on wider upstream activities. OGP's remit also extends to official observer status to the OSPAR Commission, charged with protecting and preserving the northeast Atlantic. During 2008 focus was on the issue of produced water discharges, biodiversity and preparation of OSPAR's decadal Quality Status Report in 2010, upstream-related sections of which OGP could help to draft.

Among the global issues addressed by OGP in 2008 was carbon capture & storage (CCS). In May the Association was on hand for the launch of the Carbon Capture & Storage Regulators' network. The event, which took place at the headquarters of the International Energy Agency, attracted representatives of 20 national governments and 13 international organisations. The aim of the session was to help inform the devel-

opment of legal and regulatory frameworks for CCS worldwide.

At about the same time, Transparency International (TI) published a report that concluded 'a majority of leading oil & gas companies are far from transparent when it comes to the payment they make to resource-rich countries', and urged such companies 'to act quickly to introduce a pro-active reporting, rather than wait for legislation'. OGP publicly questioned the validity of the TI findings, citing unreliable data and methodology. The Association also won a concession from the report's author, who admitted at a TI news conference that oil & gas companies, locked into decades-old confidentiality agreements with some host governments, couldn't be expected to unilaterally change the terms of their contracts.

In support of an initiative that could change the way in which oil & gas are produced, in November OGP worked with the World Bank to stage the second Global Gas Flaring Reduction (GGFR) initiative's second



EU Energy Commissioner Andris Piebalgs and OGP Chair Raphael Vermeir

forum. This meeting in Amsterdam attracted over 160 international leaders in their fields, including delegates from governments, producing companies, NGOs and suppliers. All were dedicated to reducing the 150 billion cubic metres of natural gas that are flared and vented annually – equivalent to 25% of the United States' annual gas consumption.

On an Arctic roll

The top of the world is deemed to be the last frontier when it comes to the quest for new sources of oil & gas. To ensure that OGP would be in a position to help member companies and other organisations succeed in Arctic activities, the Association started the year with a two-day workshop that considered the challenges upstream operators would face. It attracted 80 participants, including operators, suppliers and contractors.

The workshop identified a number of issues relevant to upstream operations. These fell into the categories of health, safety, the environment, engineering, logistics and public opinion and co-ordination. After a review by OGP's standing committees to determine what aspects of these issues could be integrated into their existing scopes of work, it became apparent that several issues either found no natural home within the Association's existing structure or were not considered as priorities by the committees concerned. The solution: formation of a new Arctic Coordination Task Force under the chairmanship of Peter Velez of Shell and reporting directly to OGP's Management Committee.

The Task Force's remit is to become the technical and advocacy focal point for the E&P industry for Arctic issues. Integral to this will be establishing links with other groups, including OGP's Environment, Health, Metocean, Safety and Structures Committees and the national/regional oil & gas associations in the United States, Canada, Norway and Russia.

The Task Force's founding members were BP, Cairn, Chevron, Eni, Schlumberger, Shell, StatoilHydro and Total. Wider participation by other OGP member companies and associations will be welcome.

Keeping score

Integral to best practice is the ability to compare performance against industry peers. To that end, one of OGP's most important roles is to compile and publish upstream statistics and analyses. By far the oldest and largest of these efforts is the Association's annual report on safety performance indicators.

The 2008 publication, relating to upstream activities in the previous year, was based on 2.91 billion hours worked by 38 companies operating in a record 93 countries. The results showed that a total of 87 people were killed in incidents relating to upstream activities in 2007, a drop of 28 fatalities from the previous year. The fatal accident rate was 3.0 deaths per 100 million hours worked, a 24% improvement over the figures recorded the previous year. The report showed an even more dramatic drop in the frequency of lost time injuries, which fell by a third from 0.99 per million hours worked in 2006 to 0.66 in 2007.

On the negative side, the 2007 industry data recorded that vehicle incidents were once again the single largest cause of fatalities in the upstream industry, accounting for 29.9% of deaths.

OGP's environmental performance report was published towards the end of 2008, covering data from the year before. It incorporated material supplied by 27 companies operating in 61 countries. Collectively, these companies produced 2,096 million tonnes of hydrocarbon, or about 32% of global production. As in previous years, the report focused on parameters including : gaseous emissions (no significant change from 2006 figures), aqueous discharges (showing a 3% decrease in the concentra-

Sound & marine life: increasingly in tune

Work on the Sound & Marine Life Joint Industry Programme (JIP), founded to determine what impacts the sound from upstream operations might have on life, gathered momentum throughout the year.

The most prominent activity was a major programme review meeting in Houston in late October. This three-day event attracted some 150 participants, including regulators, academics, NGO representatives and staff from upstream operating and service companies. The proceedings covered progress on some 60 projects.

In launching the meeting, JIP Executive Committee Chairman John Young of ExxonMobil spoke of 'the spirit of enquiry and collaboration that has guided the JIP from its earliest days... Now we are much closer to understanding the impact of our operations on marine life. With

that understanding, we can undertake more research on ways to mitigate any negative impacts and adjust our operations accordingly'.

By year-end JIP – faced with a plethora of new research opportunities – proposed to extend its original three-year remit for another three years with fresh funding.

Working alongside the JIP is the OGP's own Sound & Marine Life Task Force. As part of its advocacy role in promulgating a greater understanding of upstream marine operations to legislators, regulators and other decision-makers, the Task Force published in midyear a guide: *Fundamentals of underwater sound*. The 20-page publication, designed to meet a long-standing need for a brief, non-contentious background resource on a complicated topic, was issued at the

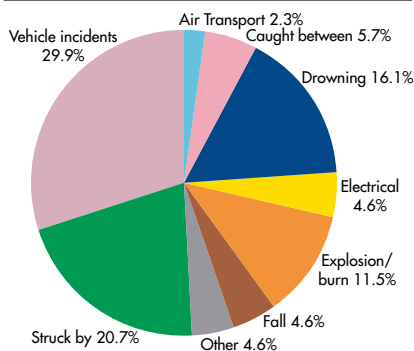
beginning of a series of relevant NGO, regulator and industry conferences in Washington, Madrid and Santiago, Chile.



John Young

tion of oil in produced water), spills (a slight decrease, resulting in the equivalent of 7.0 tonnes of oil spilled per million tonnes of hydrocarbon produced) and energy consumption (a slight increase to 1.5 a slight increase to 1.5 GigaJoules of energy for every tonne of hydrocarbon produced).

Fatalities causes, 2007



Wider membership; closer links

In 2008 OGP achieved a record membership roster of 67 companies and associations. Newly joined were the Colombian Safety Council, MOL from Hungary and SEPOC from Yemen.

Just as important were OGP's own efforts in working more closely with other industry organisations and associations around the world. These included the Oil Companies International Marine Forum, which focuses on marine-related transport and terminal issues and the International Whaling Commission, which has granted OGP official observer status.

In April, OGP organised a two-day co-ordination session involving six of the oil & gas industry's leading organisations. In addition to OGP, participants at the meeting in San Francisco were the American Petroleum Institute, the Australian Petroleum Production & Exploration Association,

the Canadian Association of Petroleum Producers, the UK's Energy Institute, and the Society of Petroleum Engineers. One of the prime objectives of the gathering was to eliminate duplications of effort and improve efficiencies in dealing with a range of issues. These included access, climate change, environment management, security, safety and health.

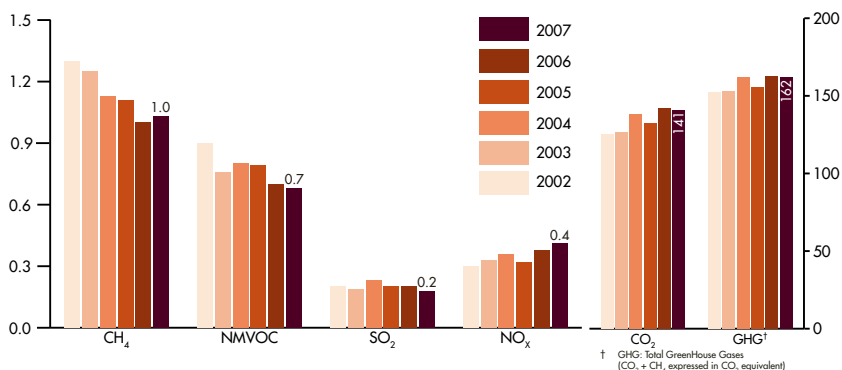
The six organisations are due to meet again in Australia later this year and hope to expand their number with participation from other oil & gas associations.

A fresh environmental approach

One of OGP's oldest and most comprehensive standing committees reorganised itself in 2008. What had formerly been the Environmental Quality Committee (EQC) spent a considerable portion of the year reviewing its operations in light of changing industry issues and priorities. The result was the reshaping – and renaming – of what is now called simply the Environment Committee (EC).

The EC's new structure is based on four main strategic areas: Access (including licence to operate), environmental management, climate change and stakeholder engagement.

Each of these areas has a champion, whose role will be to liaise with experts within the strategic area and keep Committee colleagues aware of developments. Most of the major issues identified, such as marine protected areas, are now the focus of either a dedicated sub-committee for ongoing issues or a task force for those with a defined action or time limit.



Emissions per thousand tonnes production



Getting together globally

Although the OGP calendar is noteworthy for meetings and workshops every month in virtually every corner of the world focussing on specific upstream issues and activities, the Association as a whole only officially gathers twice a year. In 2008, OGP held its Annual General Meeting (AGM) on 18 April in Nice. This was to maximise convenience and minimise travel for those members who were already there to attend the Society of Petroleum Engineer's annual International Conference on Health, Safety and the Environment, recognised as the industry's premier event on these topics.

The focus at OGP's meeting, which attracted attendees from Europe, the Americas, the Middle East and Asia, was

on 'implementation, listening and learning'. Management Committee Chairman Raphael Vermeir took the opportunity to stress the importance of putting into practice the guidelines and recommendations that OGP members work so hard to produce.

In November OGP headed to Rio de Janeiro to stage the regular autumn general meeting, known as the EGM, at the invitation of Petrobras. The first Association-wide gathering to be held in Latin America for eight years, it provided an opportunity to establish closer links with upstream regional and national oil associations and also to learn more about exciting new regional developments, including Petrobras' own Santos Basin.

New faces of 2008

What proved to be a year of considerable change for OGP, the Association welcomed several additions to the secretariat. Newly-established posts went to: Abby Findlay, who became Environment Manager, following a period as senior consultant with a firm involved in researching, compiling and submitting environmental studies for upstream companies; Stewart Fraser, formerly Anardarko's International Health & Safety Manager, who became OGP's new Health, Safety & Security Manager; and Alf Reidar Johansen, who became the Association's first Standards Manager following his retirement from StatoilHydro. In Brussels Christopher Terry brought his European Parliamentary experience to his new role as EU Affairs Manager.

In support roles, Lucy Hidden joined as Workshop Coordinator and Oonagh Hurley became Administrative Assistant.

OGP committees also saw several changes. On the Management Committee Rob Franklin of ExxonMobil succeeded Robert Olsen as Vice Chair, while Michel Contie succeeded Gerard Rabier as Total's MC representative and Gordon Birrell became BP's representative succeeding Chris Rhodes.

New chairs of standing committees were: BP's Colin Grant heading Metocean (succeeding the long-serving Chris Shaw of Shell); Neil Reeve of Shell on Standards (following Alf Reidar Johansen's retirement from StatoilHydro); and Graham Thomas of BP on Offshore Structures (succeeding Richard Snell of BP).

Reports

OGP produced a total of 12 reports in 2008:

- Health performance indicators
- Safety performance indicators – 2007 data
- Fundamentals of underwater sound
- EU strategic energy review submission
- Sound & Marine Life joint industry programme 2007 report
- Waste management guidelines
- Guidelines for the management of naturally occurring radioactive material (NORM) in the oil & gas industry

- Global gas flaring EU position paper
- Environmental performance in the E&P industry – 2007 data
- Health aspects of work in extreme climates
- Asset integrity – the key to managing major incident risks
- Diving recommended practice
- Recommended practices for contracted air operations

Most of these, along with more than 200 other reports published since 1974, are freely downloadable from the publications section of www.ogp.org.uk.

Events

In 2008 OGP staged or actively participated in a wide range of events. These included:

- Working in extreme conditions – the cold
- Standards workshops in Beijing and London
- HIV/AIDS round table, London
- Global gas flaring reduction forum, Amsterdam
- Sound & marine life joint industry programme review meeting, Houston
- Sound & marine life workshop, Rio de Janeiro



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