EXPLANATORY MEMORANDUM TO

THE OFFSHORE (OIL AND GAS) INSTALLATION AND PIPELINE ABANDONMENT CHARGES (REVOCATION) REGULATIONS 2026

2026 No. 853

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Energy Security and Net Zero and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Michael Shanks, Minister of State for Energy at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

2.2 Paul van Heyningen, Director of the Offshore Petroleum Regulator for the Environment and Decommissioning, at the Department for Energy Security and Net Zero confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Anthony McDonough at the Department for Energy Security and Net Zero Telephone: (+44) 7741 617 073 or email: ODU@energysecurity.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument allows the Secretary of State to determine an appropriate charge to recover costs for work undertaken in connection with the decommissioning (abandonment) of offshore oil and gas installations and for submarine pipelines (except those transporting carbon dioxide for storage), as set out under Part IV of the Petroleum Act 1998 ("PA 1998"). The charge is determined by calculating the number of hours worked by officers in the Offshore Petroleum Regulator for the Environment and Decommissioning (OPRED – part of the Department for Energy Security and Net Zero) multiplied by fixed hourly rates for specialised technical staff, non-specialist staff, and administrative staff. Throughout this Memorandum, we refer to "decommissioning" instead of "abandonment", which is the term used in the PA 1998, but no difference in meaning is intended.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument is England and Wales, Northern Ireland and Scotland.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom and in the marine area adjacent to the United Kingdom, including relevant waters as defined in section 44(4) of the PA 1998.

5. Policy Context

What is being done and why?

5.1 This instrument allows the Secretary of State to recover the costs associated with work connected with the exercise of decommissioning functions under Part IV of the PA 1998 from the persons required to pay the charges are those served with a notice under section 29 of the PA 1998, i.e. oil and gas operators, owners and associated companies. This is in line with the polluter pays principle – that the costs of decommissioning should fall to the organisations that have benefitted from the exploitation of the United Kingdom's natural resources. This instrument introduces the following changes: 1) updating the previous method for calculating fees, to ensure that all costs relating to the Secretary of State's regulatory functions under Part IV of the PA 1998 are recovered 2) ensuring that charging occurs on a more regular basis, and 3) that the calculation is based on actual hours worked by OPRED officials, rather than on the size of the installation in question. These changes are explained in paragraph 5.2. These changes also bring decommissioning charges in line with the methods used to recover costs of OPRED's other environmental regulation and inspection functions.

What was the previous policy, how is this different?

5.2 The previous legislation provided for fees in connection to decommissioning programmes be calculated on the basis of the size, weight and type of installation being decommissioned. These indicative fees have proven to be difficult for both officials and operators trying to estimate the costs associated with the Secretary of State's decommissioning functions. The move to calculating fees on the basis of actual hours worked improves the accuracy and transparency of the process, while allowing costs to be reclaimed at more frequent intervals allows for better financial planning for the officials setting the fees and the operators required to pay them. Finally, allowing for costs to be recovered for more of the Secretary of State's functions reduces the overall burden of decommissioning costs to taxpayers.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument replaces the Offshore (Oil and Gas) Installation and Pipeline Abandonment Fees Regulations 2012 ("the 2012 Regulations"), which provide for fees to be charged at two fixed points, being submission of a decommissioning programme, or revision of a decommissioning programme. Under the 2012 Regulations, costs are incurred by the Secretary of State over a long period (sometimes several years) before a fee can be recovered and work done after submissions cannot be charged for. By contrast, these Regulations allow for regular quarterly charging, as work is carried out. In addition, they allow for all costs to be recovered if the Secretary of State is required to exercise functions under Part IV of the PA 1998, even after decommissioning programmes have been submitted and approved. This instrument was enabled by section 299 of the Energy Act 2023, which amended the relevant charging powers in Part IV of the PA 1998, by inserting new section 38C of that Act.

6.2 This instrument needs to be read alongside the Energy Act 2023 (Commencement No. 5, Saving Provisions) Regulations 2026 ("Commencement Regulations No 5"). Those Regulations commence section 299(3) to (7) of the Energy Act 2023 and consequently repeal the enabling powers for the 2012 Regulations, However, the saving provisions

of Commencement Regulations No 5 preserve and save both the enabling powers and the 2012 Regulations for certain transitional purposes.

Why was this approach taken to change the law?

6.3 The approach in this instrument is in line with the principles in Managing Public Money[1], as it should enable full cost recovery for services provided. Industry has been forewarned of the changes for some time, pursuant to a consultation in 2021[2]. The rationale for the change was approved by Parliament when it enacted the Energy Act 2023.

7. Consultation

Summary of consultation outcome and methodology

7.1 As mentioned in paragraph 6.1, the principles underlying these changes were consulted on in 2021. However, we also re-consulted between 16 December 2025 and 27 January 2026 with representative organisations providing a draft of this instrument and draft guidance notes to industry on the new charging regime, so as to enable an up to date and fully informed engagement with industry.

8. Applicable Guidance

8.1 We have prepared guidance notes to industry[3] explaining how this instrument is intended to work in practice, how and why it differs from the previous regulations, and the transitional arrangements from the old regulations to the new. This guidance was made publicly available as part of the December 2025 public consultation on the new instrument.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 The existing regime for recovering costs to Government of functions exercised in connection with the decommissioning of oil and gas installations was implemented at a time when the decommissioning process was still immature. In recent years, as operators have commenced decommissioning in the marine area, including the UK Continental Shelf (UKCS), it has become clear that the fee-charging regime does not sufficiently cover the full life cycle of the work undertaken by the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) in delivering decommissioning services to industry. Payment of OPRED's decommissioning costs is a very small proportion of overall decommissioning costs to industry, which even for a modest project can stretch to tens of millions of pounds. An impact assessment of the proposed changes to the cost recovery regime in 2021 estimated an additional annual cost of between £1.3m - £1.8m to the oil and gas industry, which is a tiny proportion of the overall market size, estimated to be £242bn in 2025.

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is minimal, as the liability for decommissioning costs is not new and, in line with the polluter pays principle, always

[1] https://www.gov.uk/government/publications/managing-public-money
[2] https://assets.publishing.service.gov.uk/media/60abb669d3bf7f737d5c52e9/Consultation_document_-_fee_charging_regime_for_decommissioning_offshore_oil_and_gas_installations__1_.pdf
[3] https://www.gov.uk/guidance/oil-and-gas-decommissioning-of-offshore-installations-and-pipelines

rests with the oil and gas industry who have legal liability for decommissioning offshore installations.

9.3 The legislation does not impact small or micro businesses.

9.4 The impact on the public sector is minimal, as recovery of costs relating to decommissioning functions is a long-standing policy. In preparation for the change to the new method for calculating fees, some new processes have been developed to more accurately record time spent on specific, chargeable activities, which has also necessitated some internal staff training.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is to review the fixed rates for officials' time on a regular basis to ensure it is fit for purpose. It is anticipated rates will be reviewed on an annual basis in line with the established practice for OPRED's other regulatory functions. More generally, the recovery of charges will be kept under review on an ongoing basis to ensure that policy aims are being met and that the actual charges recovered reflect the cost to Government of providing the relevant services.

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").