EXPLANATORY MEMORANDUM TO

THE OIL AND GAS AUTHORITY (LEVY AND FEES) REGULATIONS 2026

2026 No. 181

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.

1.2 This Memorandum contains information for the Joint Committee on Statutory Instruments and the Secondary Legislation Scrutiny Committee.

2. Declaration

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

2.2 Rebecca Hewstone, Deputy Director for Offshore Energy Transition and Coal Legacy at the Department for Energy Security and Net Zero, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Duncan Rutty at the Department for Energy Security and Net Zero can be contacted by email at the following address with any queries regarding the instrument: ogepcorrespondence@energysecurity.gov.uk. Alternatively, the department can be contacted by telephone: 020 7215 3350.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The purpose of Part 2 of this instrument is to impose a levy on offshore petroleum licence holders to fund certain functions carried out by the Oil and Gas Authority[1] ("OGA"), during the period from 1 April 2026 to 31 March 2027 (the "relevant charging period"). The purpose of Part 3 of this instrument is to revise existing fee rates for the delivery of specific services by the OGA and introduce new or amended or amended fees where it has identified ways of improving the existing fee regime to more accurately reflect the actual costs of the services it provides.

Where does the legislation extend to, and apply?

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

4.3 The territorial application of Part 2 of this instrument (the OGA levy provisions) is Great Britain and outside Great Britain in relevant waters (that is, the territorial sea adjacent to the United Kingdom and any area designated by order under the Continental Shelf Act 1964).

4.4 The territorial application of Part 3 of the instrument (the OGA fee provisions) is Great Britain and outside Great Britain in relevant waters (that is, the territorial sea

[1] The business name of the Oil and Gas Authority is the North Sea Transition Authority

adjacent to the United Kingdom and any area designated by order under the Continental Shelf Act 1964).

5. Policy Context

What is being done and why?

5.1 The Energy Act 2016 empowers the Secretary of State to make regulations enabling the OGA to recover its costs from certain categories of undertakings including, amongst others, those who hold petroleum, offshore gas storage and carbon storage licences.

5.2 Some of the OGA's costs are recovered through fees for the delivery of specific services to individual undertakings. However, the majority of the OGA's costs (including costs for its energy transition work) are recovered through a levy charged on holders of offshore petroleum licences.

5.3 This instrument will enable the OGA to impose a levy for the relevant charging period, revise existing fee rates and introduce new or amended fees.

5.4 All legislation is in scope of the statutory duty contained in the Environmental Act 2021 for Ministers of the Crown to have due regard to the Environmental Principles Policy Statement when making policy. This instrument has been considered in that context, and it has been concluded that the proposed new or amended fees and revisions to the fee rates will have no environmental effects. As set out in the Environment Act 2021, the requirement to have due regard to the Environmental Principles Policy Statement does not apply to policy so far as relating to taxation, which encompasses levies. The imposition of the levy by these Regulations is, therefore, out of scope of the statutory duty.

Part 2 of the Regulations

5.5 Section 13(1)(a)-(b) of the Energy Act 2016 enables the Secretary of State to make regulations to provide for a levy to be imposed on petroleum licence holders. This is done annually, with the levy providing the OGA's main source of income.

5.6 These Regulations make provision for calculating and imposing a levy on offshore petroleum licensees in respect of the relevant charging period. The costs to be recovered under the levy are the costs of the OGA in carrying out its functions during that period (and, in addition, the cost associated with the provision by the Lord Chancellor of tribunals to consider appeals against decisions of the OGA).

5.7 As with the Oil and Gas Authority (Levy and Fees) Regulations 2025 (S.I. 2025/239) (the "2025 Regulations"), the methodology provides four different rates for offshore petroleum licence holders: a rate for a production levy; a rate for a non-production levy; and two discounted rates for a non-production levy in certain cases. A licensee's eligibility for a discounted rate is determined by the OGA on the basis of the definition of "micro-enterprise" in regulation 4(6).

5.8 The OGA will determine the status of an offshore petroleum licence as at 12.01am on 1 April 2026 and the levy rate to be applied for the relevant charging period. A licensee holding a development and production consent on that date will be issued an invoice for the production levy. A licensee not holding such a consent will be issued with an invoice for the non-production levy or the appropriate discounted rate, if applicable.

5.9 The OGA will determine a licensee's status by analysing revenue and staff data and then calculate the levy amounts and issue invoices based on that determination. Invoices will be required to be paid within 30 days.

Part 3 of the Regulations

5.10 The Department is making Part 3 of these Regulations to recover costs by means of direct fees for specific activities in line with the established principle across regulation and service delivery of 'user pays', where the regulator recovers its costs from those benefitting directly from its services. The current fees and charges regulations are the Oil and Gas Authority (Fees) Regulations 2016 (S.I. 2016/904) (the "2016 Regulations"), as last amended by the 2025 Regulations. The 2016 Regulations were made under section 12 of the Energy Act 2016, which gives the OGA power to charge such fees as are determined and payable in accordance with regulations made by the Secretary of State.

5.11 It is the policy of the OGA to regularly review the rates of the fees it charges for its services. Revised rates were last introduced in April 2024. These fees have now been reviewed by the OGA, with the latest revised rates included in this instrument. As some of the proposed increases to fee rates are above inflation, the basis of the changes is set out in Part 3 of this document.

5.12 Following an OGA consultation between 17 June 2025 and 12 August 2025[2], the Department is also introducing new and amended fees. These fees will cover the costs of providing the relevant service, based on the OGA's analysis of actual work undertaken, and do not contain any profit element or cross-subsidisation. The new and amended fees will apply to: consents relating to carbon storage licence activities, where the OGA has developed a greater understanding of the time and resources required to provide its services to carbon storage licensees and identified services provided to carbon storage licensees not currently subject to fees; and consents relating to petroleum and gas storage licence activities, including an amendment to the fee for the appointment of a well or installation operator to reflect the OGA's costs. Fee rates will be reviewed on a regular basis, as with all other fees charged by the OGA.

What was the previous policy, how is this different?

5.13 Part 2 of the Regulations will allow the OGA to charge its levy for the relevant charging period. Part 3 of the Regulations will revise existing fee rates and introduce new or amended fees.

6. Legislative and Legal Context

How has the law changed?

6.1 Part 2 of the instrument is the latest in a line of regulations made under section 13 of the Energy Act 2016 pursuant to which the OGA imposes an annual levy on licensees who hold certain kinds of offshore petroleum licence. The most recent of those regulations is the 2025 Regulations.

6.2 Regulation 5 of this instrument sets out the total amount to be levied in respect of the relevant charging period and sets out the methodology to calculate the proportion of

[2] https://www.nstauthority.co.uk/news-publications/consultation-on-proposals-to-introduce-new-and-amended-nsta-fees/

that sum which is payable by licensees who hold particular kinds of offshore petroleum licence.

6.3 Regulation 9 provides that, in respect of the relevant charging period, where the total amount levied exceeds the costs in respect of which the levy has been raised, the OGA will return the underspend to licensees.

6.4 Part 3 of the instrument revises existing fee rates and introduces new or amended fees.

Why was this approach taken to change the law?

6.5 As set out above, section 12 of the Energy Act 2016 gives the OGA power to charge such fees as are determined and payable in accordance with regulations made by the Secretary of State. Section 13 of the Energy Act 2016 enables the Secretary of State to make regulations to provide for a levy to be imposed on petroleum licence holders.

7. Consultation

Summary of consultation outcome and methodology

7.1 The OGA consulted on its proposals to introduce new and amended fees between 17 June and 12 August 2025. Responses[3] generally supported the proposals.

7.2 The OGA has considered the responses and set out in its consultation response[4] that the proposed fees will be introduced with some changes to reflect the comments received.

7.3 With regard to the amount of the levy and changes to the rate of existing fees, as they relate to actual costs of delivering services, public consultation is not carried out on these matters. Representatives of the UK oil and gas and carbon storage industries will be informed before the new fee rates come into effect. New fee rates will only be charged where provision of the services in question starts on or after 1 April 2026, with applicants informed of the new rates. The devolved administrations were not consulted, as the fees do not apply to activities relating to onshore petroleum licences in Scotland and Wales, and do not apply to carbon storage activities within the competence of devolved administrations. The OGA has been consulted on the instrument and agrees with the changes that it makes.

8. Applicable Guidance

8.1 Once the instrument comes into force, the OGA will issue levy invoices to licensees containing relevant instructions on payment. The OGA will also inform the relevant trade associations when the instrument is laid. The current version of the fees guidance will be updated when the instrument comes into force.[5]

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because a small number of businesses will be affected and the impacts on affected businesses will be

[3] Four responses were received.

[4] https://www.nstauthority.co.uk/news-publications/consultation-on-proposals-to-introduce-new-and-amended-nsta-fees/

[5] https://www.nstauthority.co.uk/regulatory-information/regulatory-framework/legislative-context/charging-regime-and-fees/

limited. More specifically, the impact of Part 2 of the instrument on business is restricted to licensees holding offshore petroleum licences (as of 1 April 2026), and the impact of Part 3 is restricted to companies making applications identified in section 12 of the Energy Act 2016. The new and amended fees reflect the costs of the OGA providing the relevant services and do not contain any profit element or cross-subsidisation. In the response to the consultation on the proposed new and amended fees, industry representative bodies indicated that they were generally appropriate and proportionate provided there is cost efficient implementation by the OGA with the administrative burden minimised.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because any impact is restricted to licensees holding petroleum, gas storage and carbon storage licences or undertakings operating oil or gas processing facilities, and these do not include charities or voluntary bodies. Any impact on business is set out in paragraph 9.1, above.

9.3 The instrument does impact on small or micro businesses.

9.4 No specific action is proposed to minimise regulatory burdens on small businesses, other than micro-enterprises. In Part 2 of the instrument the levy includes a discount for micro-enterprises that hold certain types of offshore petroleum licence. The fees in Part 3 will be paid by companies making applications identified in section 12 of the Energy Act 2016. The charges will not fall disproportionately on small businesses.

9.5 The basis for the final decision on what action to take to assist small businesses is based on the approach used in previous years. The discount to the levy for micro-enterprises holding certain types of offshore petroleum licence was introduced in April 2017 following a consultation in 2016. With variations in the calculation methodology, micro-enterprises have been eligible for a discount since then.

9.6 There is no, or no significant, impact on the public sector because any impact is restricted to licensees holding relevant licences or operating oil or gas processing facilities, and this does not include public sector organisations.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is: for Part 2, the regulations for the levy must be renewed every year, as the levy is set for only one charging period; and for Part 3, the OGA reviews its fees on a regular basis, with fee rates updated approximately every two years.

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 The OGA handles approximately 2,100 applications subject to fees each year. In line with the principles of paragraph 6.2 of HM Treasury's Managing Public Money, these fees are solely to cover the costs of providing the service, and do not contain any profit element or cross-subsidisation.

11.2 The revised fee rates are not based on inflation but are due to changes in the amount of staff time and overheads required to provide the relevant services and changes in the staff grades necessary to provide the services. In particular, following review of a number of applications for methane drainage licences, it has been identified that the time and resources now required for the OGA to review and consider applications for methane drainage licence applications (including technical reviews) are considerably higher than previously (while still being a relatively small element of the costs of the work for licensees associated with methane drainage licences).

11.3 With regard to the new and amended fees, please refer to paragraph 5.12 above.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative resolution 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").