

U.K. FISHERIES OFFSHORE OIL AND GAS LEGACY TRUST FUND LIMITED
Memorandum of Understanding

1. Company Structure:

- 1.1 The U.K. Fisheries Offshore Oil and Gas Legacy Trust Fund Limited is a charitable not-for-profit company limited by guarantee, the Founding Members of which are the fishing and oil & gas industry associations (Oil & Gas UK, SFF & NFFO*). These associations are involved as representatives of their industry, including their own members and other organisations within their industry but outwith their membership. Company decisions are intended to be made by consensus, with each industry having equal weight.
- 1.2 Each Founding Member is entitled to appoint a Director (2 for Oil & Gas UK). The agreement of all Founding Members is required for any changes to the Memorandum or Articles of Association and the appointment or removal of Directors additional to Founding Members' nominee Directors. All Founding Members have to approve the Directors' choice of Company Secretary. Should the Company wind up, its property/business must be transferred to a similar charitable body and if that is not possible then to The Royal National Mission to Deep-Sea Fishermen and/or the Royal National Lifeboat Institution and their successors, failing which then to a charitable body dedicated to the reduction of the risk of loss or damage from marine related incidents in U.K. Waters (as defined in the Memorandum of Association).
- 1.3 The Board shall control the running and actions of the Company in carrying out its objectives, which are set out below. The Board will allow each nominee Director of a Founding Member to bring one observer from his organisation to attend and, on invitation, be heard at Board meetings, but not to participate in voting. (This is intended to promote wider exposure of Company decision making within the Member organisations).
- 1.4 An independent chairman of the Board shall be appointed by the Directors and must be approved by all Founding Members. Such an independent chairman may be removed in a similar way. He shall be suitably qualified and experienced. The position shall be reviewed every two years and, after a vote of the Directors and confirmed by the Founding Members, he may be re-appointed for a further period or replaced. He shall have a vote only when the Directors' votes are equal and his vote must be cast in accordance with the principles set out in this MoU.
- 1.5 Decisions concerning the normal operations of the Company within approved budget, in pursuit of its primary object, would be by a simple majority of the Directors. Approval of certain activities requires an affirmative vote or approval of all Founding Member appointed Directors, these include:
 - Appointment/removal of auditors
 - Approval of an annual budget and cash flow
 - Committee creation/termination, remit and constitution

- Issues relating to the Company's secondary objects
 - The criteria for choice of the independent chairman
- 1.6 The Department for Business, Enterprise and Regulatory Reform (DBERR) will be invited to provide an observer of Board proceedings. This is to provide advice when appropriate, but shall not have any decision-making role. This is to assist in:
- Decision making associated with regulatory compliance
 - Transparency of process, funding and expenditure
 - Linkage with other government/parliament requirements e.g. FOOCG* (to include any successor body when and wherever referred to in this MoU)
- 1.7 Company officers will be employed to manage the ongoing requirements of the Company as determined by the Directors.
- 1.8 Two committees will be formed to progress key activities and take over, maintain and develop existing schemes currently managed by Oil & Gas UK:
- A Technical Committee, to manage seabed information, and dissemination systems, to develop technological innovations when appropriate and to be concerned with relationships and interactions.
 - An Investment Committee, to advise the Board on endowment fund investments to generate revenue for Company activities.

* Oil & Gas UK (previously UK Offshore Operators Association)
 DBERR = Department for Business, Enterprise & Regulatory Reform (previously DTI)
 SFF = Scottish Fishermen's Federation
 NFFO = National Federation of Fishermen's Organisations
 FOOCG = Fisheries and Offshore Oil Consultative Group

2. Objectives of the Company:

- 2.1 The Company has been set up to receive and manage a Trust Fund (The Fisheries Legacy Trust Fund) to offset negative legacy issues associated with oil and gas operations and post-decommissioning seabed residues (in particular concerning the safety of mariners). The Company will establish funds and an organisation to manage ongoing issues by building on current operational information.
- 2.2 The Company's objects (as set out in its Memorandum of Association) are therefore seen to be prioritised as follows:
- Primary Object
- 2.2.1 The primary object of the Company is to promote and enhance safety by taking steps to reduce the risk of loss of life, and/or injury of, or damage to, person or property by reason of Legacy Issues; principally by supporting and promoting, in whatever manner, both existing and future mechanisms to identify and monitor Legacy Issues, existing and potential, and seabed installations on the U. K.

Continental Shelf, including the collection of data and the communication of the same to mariners on or under water.

Secondary Objects

2.2.2 In so far as there remains any surpluses not required for that primary object, as may be determined by the Board from time to time, the following secondary objects may be pursued by the Company:

2.2.2.1 to advance education, science and environmental protection or improvement by funding or otherwise supporting or assisting studies, works, projects or schemes or by the exploitation of new technology or other initiatives in relation to the understanding and/or minimisation of Legacy Issues and/or the improvement, extension of life or preservation of the Relevant UK Fishery; and

2.2.2.2 to support and encourage fishing industry safety initiatives generally.

* "Legacy Issues" materials, equipment, plant, machinery or consumables whether attached to the sea bed or not and of whatever nature, remaining after cessation or decommissioning of oil and/or gas drilling and/or exploration and/or production and/or ancillary activities in U.K. Waters and arising from, connected with, ancillary to or necessary for those activities or that cessation or decommissioning.

3. Duties of Directors

3.1 Directors shall operate the Company in accordance with good corporate practices, as required by law and the Company's Memorandum and Articles of Association and aim to achieve the Company objects by means of activities and structures which work in accordance with the established set of principles outlined in Attachment 1.

3.2 Directors are appointed on the understanding that they work towards the following objectives and would stand aside from any decisions that may conflict with their personal business interests:

- o Ensure the Trust Fund is applied for the benefit as a whole of mariners in the UK Continental Shelf area and, where appropriate, general fishing industry safety initiatives and not any specific individuals or companies
- o Ensure they faithfully represent the Founding Members that appoint them, with an even-handed approach to specific situations, subject to, and to the extent not inconsistent with, their fiduciary duties to the Company

3.3 Directors shall 'husband' the Trust Fund to ensure it remains available into the longer term (i.e. for as long as oil & gas industry installations and residues remain hazardous to marine activities). In particular they shall:

- o Ensure that the Company does not accept any statutory liability arising under the Petroleum Act 1998 or any revision or re-enactment thereof or any similar legislation
- o Appoint an appropriate fund manager to ensure optimum returns from endowment contributions and reserves
- o Generally control output requirements
- o Minimise operational charges and payments

- work to maintain charitable status
 - Ensure that administration costs are kept to a minimum commensurate with the effective running of the Company. Save for exceptional circumstances, Directors will not be paid (except expenses).
 - Arrange an actuarial (or similar) review of the endowment fund when required and annually after income from the fund becomes the main source of Company revenue. This shall provide the rationale for the promotion within the oil and gas industry of the appropriate expected levels of contribution.
- 3.4 Directors shall ensure that the workings of the Trust Fund shall be transparent to public scrutiny, through:
- Involving a representative of the DBERR in Board meetings as a non-decision making observer
 - Publishing annual accounts which explicitly identify asset operators (and their co-venturer groups) which make contributions to the Trust Fund
 - Publishing annual accounts which explicitly identify the nature of any material expenditure payments from the Trust Fund
- 3.5 Directors shall promote a constructive relationship between the offshore oil and gas and fishing industries, including:
- Developing recognised technical expertise in the area of managing Legacy Issues
 - Identifying and addressing other issues of mutual interest, such as those currently addressed by FOOCG.

4. Company Activities

These shall include:-

- 4.1 Maintenance of databases and communication systems which provide detailed information on the up-to date locations of sea-bed objects through various mechanisms including systems connecting with vessel on-board plotters.
- 4.2 Provision of long-term Legacy Issue monitoring of decommissioned oil & gas installation sites and to communicate this information for the safety of vessels operating in the vicinity (see Attachments 2 and 3).

This is distinct from any explicit statutory requirement by the DBERR served on the operator/owner at the time of decommissioning programme approval. The Company's activities address the need for long-term monitoring to maintain information as operators/owners leave the U.K. Continental Shelf (see Attachment 6).

- 4.3 The pursuit of other activities (secondary objects) in support of the primary object of enhancing the safety of mariners in the UK Continental Shelf area by reducing the risk of loss by reason of Legacy Issues. Secondary objects, in particular, to include the funding of studies etc into the understanding and/or minimisation of Legacy Issues and/or the improvement, extension of life or preservation of the relevant UK Fishery. (For examples of secondary objects, see Attachment 5).

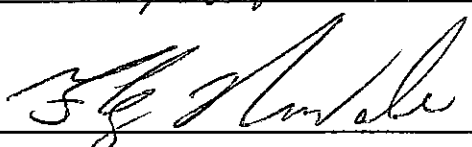
- 4.4 Engagement in inter-industry issues involving the oil and gas and fishing industries, concerned with health and safety or environmental aspects of marine operations, including operational guidelines and practical responses to government concerns.

This Memorandum of Understanding does not, and is not intended to, create any rights or obligations with respect to any party having directly or indirectly any interest in the same or the Company. Particularly, but without limiting that generally, any party signing this Memorandum of Understanding by that signature does no more than signify that at the time of signing it is supportive of the aims, intentions and purposes set out in this Memorandum of Understanding leading to the formation of the Company and in relation to the pursuit of its objects and activities. No signature shall give rise to any obligation (legally binding or not) to do or omit to do any future or further act or thing. The foregoing statements shall take precedence over and supersede anything to the contrary or indicative of or implying contrary intention, whether directly or indirectly.

This Memorandum of Understanding is signed on the above basis this day 22/08/2007 by


_____ on behalf of Oil & Gas UK


_____ on behalf of SFF


_____ on behalf of NFFO

Attachment 1

Guiding Principles for establishing the Legacy Trust Company

1. The primary reason for in forming this Company is to explicitly address the long term risks to mariners as a result of equipment on the seabed which may constitute a hazard to their business or other operations.

The Company is designed to take up the running of existing Oil & Gas UK schemes of seabed database/communications and to manage them into the long-term; extending their application to post-decommissioning/operations phases.

2. The contributions expected from installation and pipeline operators/owners at the time of completion of the relevant decommissioning should be a sum which when aggregated is expected to create a self-sustaining fund capable of generating the revenue needed to support the primary object of the Company beyond the duration of U.K. Continental Shelf oil and gas operations.

For simplicity, the respective levels of contribution should be established up-front to set peer expectations for operators/joint ventures leaving post-decommissioning residues from installations and pipelines. However, periodic actuarial reviews should ensure that contributions building the endowment fund create revenue that is commensurate with the future financing requirements for the Company's primary object and formally approved secondary objects.

3. This Company is being set up to manage operational and post-decommissioning risks but not to accept any statutory liabilities arising under the Petroleum Act 1998 or any revision or re-enactment thereof or any similar legislation.
4. The membership of this Company will be evenly split between the oil and gas and fishing industries representative associations, with all supplements, applications and proposals within the secondary objects agreed unanimously.
5. An independent chairman and a government observer will be involved in the workings of this organisation to support reasonable, fair and proportionate practices in line with the long-term delivery of the primary object.

Attachment 2

Activities of the Company in relation to residues from installations and pipelines after decommissioning

It is the intention that the Company shall provide seabed monitoring for those installations and pipelines that will be allowed by U.K. government to remain in whole or in part on the seabed beyond completion of an approved decommissioning programme.

Support contributions will only be expected from owners of installations and pipelines that are allowed by the U.K. government to remain on the seabed beyond completion of an approved decommissioning programme. This contribution should be made through a single contribution to the Company as detailed in Attachment 3 and 4.

General

These activities to include:

- Continuation of seabed inventory mapping process:
 - Maintenance and regular updates to database with output datasets (currently provided by CDA)
 - Transformation of datasets into information briefs and input to location plotters, including FishSafe (currently provided by SeaFish)
 - Management of oil and gas/fisheries liaison
- Mechanism to consider relevant inter-industry issues specifically concerned with health and safety of fishermen or impact on environment by way of Legacy Issues.
 - Studies to extend understanding of impacts
 - Development of information and communication technologies relevant to mitigating incidents
 - Development of technology to improve appropriate marine and seabed hazard identification
 - Development of operational processes and procedures that mitigate incidents (e.g. safety zones)
- Seabed monitoring, sub-sea surveys where appropriate to allow the database to be updated to ensure the Company is effective in providing information on the current status of seabed hazards. This will only be where thought necessary, and will be outside and distinct from any statutory monitoring requirements by BERR served on the operator/owner at the time of decommissioning programme approval. For example, this may become necessary following a series of incidents in a particular area, to investigate the status and nature of the hazard. This information will be freely available and of interest to those involved in marine activities.

Steel Platform "stumps"

- Monitoring* of sites for decay of structure and degradation of cuttings piles
- Monitoring* the location of debris/residues which move from the immediate site area

- Maintenance* of information systems and any onsite marker e.g. transponder, buoy or other (possibly by way of direct arrangement with the owner)

Concrete platform sub-structure

- Inspection and monitoring* of sites, surface and sub-surface, for decay of structure and degradation of cuttings piles
- Monitoring* the location of debris/residues which move from the immediate site area
- Navigational aids maintenance (possibly by way of direct arrangement with the owner)

Pipelines

- Monitoring* of sites for decay of pipelines
- Monitoring* the location of debris/residues which move from the immediate site area

NOTE:

* The Fisheries Legacy Trust Company can not be seen to be fulfilling statutory requirements with respect to the monitoring of decommissioned oil and gas infrastructure. Therefore monitoring requirements noted are separate from such statutory requirements and only those deemed appropriate by the Company's Directors, and after the explicit requirements of the DBERR's decommissioning programme requirements have been fulfilled.

This issue was noted by OSCR in response to the original charitable application and was addressed as per Attachment 6.

Attachment 3

Expected levels of contribution by Operators of installations/pipelines with remains on the seabed.

It is intended that there should be initial indicative expected contribution levels:

- £750k per remaining steel structure
- £750k per remaining concrete structure
- £3k per kilometre of pipeline with exposed length*

For each contribution made at the time of legacy creation due to structures remaining in place, it is proposed that £100k will be siphoned to fund the Oil & Gas UK Un-attributable Debris Compensation Fund with the remaining £650k being directly contributed to the Fisheries Legacy Trust Company endowment fund.

The amounts indicated above are indicative but would be consistent for all installations/pipelines i.e. the amount contributed would be constant, in real terms, adjusted from the quoted number in line with RPI for an initial period (see below). Once the payment is made the Company will not approach that co-venture group for a further contribution for the same Legacy Issue.

It is important that the Directors make a regular check on long-term trends, as well as short-term finances. The Trust Fund could be likened to a Pension Fund, so actuarial assessments should be made on a periodic basis. The above indicative levels of contribution are based on a series of assumptions which may, in reality, turn out differently. If the endowment fund builds to where it provides revenue in excess of its anticipated future needs, then indicative contribution levels may be lowered so that the fund doesn't build disproportionately.

It is therefore intended that, following the building of the fund to a level that generates the revenue to cover annual expenditure (i.e. when Oil & Gas UK supplementary contributions are no longer required), the Directors will instigate annually an actuarial (or similar) review of the endowment fund. The actuary (or similar) shall take into account historical expenditure, expected expenditure on the primary object and formally approved secondary objects of the Company and investment returns together with the forward number of structures and pipelines expected to be left and produce proposed expected contribution levels. The Company shall communicate to Oil & Gas UK the proposed expected contribution levels from the review.

* Pipelines that are trenched or buried, beneath the general surface of the seabed in that area, are not considered to be exposed. It is recognised that such pipelines may become exposed after a period of time. However, the contribution is made on the basis of the conditions at the time of completion of the DBERR required decommissioning programme initial monitoring run.

Attachment 4

Contribution process

An operator (on behalf of its JV partners) who applies and is granted approval for derogation will be expected (although voluntary) to make a contribution to the Fisheries Legacy Trust Company, a company which will continue the seabed infrastructure database maintenance and dissemination of information operations in perpetuity and in addition provide monitoring of derogated sites following operators own decommissioning commitments.

The following outlines the expected processes and timings of contributions to the FLTC. The only trigger where a contribution is expected to be made to the FLTC is at the time of legacy creation, that is at the time when all decommissioning activity related to that installation/pipeline has been concluded. Part payments at other potential trigger points can be considered however will be the option of the installation/pipeline operator or joint venture partnership.

Operator completes decommissioning programme

Operator makes full (or remaining part-of) contribution following completion of decommissioning activities, but prior to the initial survey, as confirmed by the BERR observer on the Board.

As this stage is the creation of the legacy issue i.e. when decommissioning work has completed and there remains structures on the seabed a full (or final part) contribution to the FLTC is expected at this time.

Operator begins decommissioning of installation/site (clean and remove topsides/ROV inspection of pipeline)

Operator carries out decommissioning works as set out in decommissioning programme

As this stage is the beginning of the creation of the legacy issue and may take some time to complete a part (further part) contribution to the FLTC may be considered.

Government grants a permit for derogation

Following the operator's application, the DBERR will decide after consultation with other OSPAR members whether the case for a derogation has been made. If so, a permit will be issued in parallel with approval for the whole decommissioning programme.

As this stage confirms that infrastructure will be left behind, a part (further part) contribution to the FLTC may be considered.

Decommissioning Programme Submission

The operator will submit a draft decommissioning programme including any proposals to leave part of the installation in place (footings of steel jackets weighing more than 10,000 tonnes or large concrete structure) and proposals for decommissioning pipelines to the DBERR following stakeholder consultation.

As this stage signals the intent to leave infrastructure on the seabed, a part contribution to the FLTC could be considered at this time.

Cessation of production of field

Production of the field is no longer economically viable and the operator submits an application to the DBERR to cease production. Acceptance by the DBERR triggers the requirement to submit a detailed decommissioning programme for all facilities in the field.

No contribution to the FLTC would be expected at this time. A decommissioning programme and abandonment strategy has yet to be decided by the operator/JV licensees.

Attachment 5

Examples of the types of project which could qualify for consideration under Secondary Objects.

1. Funding independent fisheries scientific research into fish stocks, including environmental impacts on stocks and other matters that relate to fisheries.
2. Support and research into improving the efficiency of the fishery as well as promoting research into more environmentally friendly and sustainable fishery and fishing methods.
3. Support for fishing industry economic research and modelling.
4. Restocking the fishery e.g. shellfish and fish seeding and enhancement projects.
5. Research into seabed mapping.
6. Support for fishing industry safety initiatives such as:
 - Support for purchase of safety equipment for fishing vessels
 - Support for more advanced sea survival training for fishermen thereby enhancing standards throughout
 - Support for generic campaigns to promote and enhance safety awareness of fishermen and vessels, particularly in relation to decommissioned structures being left in situ.

Attachment 6

Response to the request from OSCR for additional information concerning the public benefit aspects of the Fisheries Legacy Trust Company with particular reference to the intended monitoring activities

General and background

Seabed information services have been delivered successfully through Kingfisher and Fish Safe over a number of years and are highly valued by fishermen. The information provided currently through Kingfisher and Fish Safe is made available voluntarily through services sponsored by Oil & Gas UK. Although information from statutory sources is available i.e. through the Admiralty charts provided by the Hydrographic Office that is not as useful as these other sources in alerting fishermen to hazards. A key driver to establishing the FLTC was to ensure that current, voluntary services would continue into the long-term, after oil and gas companies cease to provide them. The public benefits of the FLTC will enhance over time, especially as Operators withdraw from the U.K. Continental Shelf and it is important that a long term solution is effectively established early on.

With respect to the statutory requirements for the monitoring of decommissioned oil and gas infrastructure, this is outlined below, but will be dependent on circumstances at the time. The details of any monitoring programme approved by the regulator (Department of Business, Enterprise and Regulatory Reform, BERR) in connection with decommissioning are likely to evolve with the passage of time. However, on the basis of guidance and experience available to date, requirements are for an initial survey following decommissioning, followed by another some 3-8 years later, with further surveys dependent upon these initial results.

Location information from these surveys will be passed to the Hydrographic Office for inclusion in the Admiralty charts in due course. This information will also be made available to the FLTC to be provided to fishermen and other mariners through the systems it will maintain, with significant public benefits, including:

- Accurate information – FLTC, in co-operation with oil and gas Operators, will be in a position to provide a fuller information scheme on sub-sea hazards than is likely to be available under just statutory requirements
- Up-to-date information – FLTC will be able to provide this detailed information to users more quickly than required under statute, it will also be able to maintain long-term availability of these records for future reference
- User-friendly access – FLTC, critically, will present the data in a readily assimilated and user-friendly format, as can be gauged from the extensive use that the fishing community currently make of the existing voluntary schemes offered through Oil & Gas UK.

Statutory responsibilities of oil & gas infrastructure operators & owners following decommissioning:

- For all cases: an initial survey following decommissioning
- Record this status with Hydrographic Office and others, (incl. FLTC)
- After full removal of an installation – an initial environmental survey, usually followed by 1 or 2 more surveys.

- Where part of an installation is left in place – monitoring for environmental impacts and hazards, potentially indefinitely, e.g. NW Hutton will do a repeat survey 3-5 yrs on and then further surveys as required.
- Replacement & ongoing maintenance of navigation aids and the visual inspection of concrete structures left above sea level, e.g. Frigg was requested to visually inspect structures above the waterline, record any deterioration and report on possible consequences for the safety of other sea users.
- Where a pipeline is left in place – an initial survey plus follow-up in 3-8 years and further surveys as required, focusing on safety, i.e. checking for spanning, insufficient burial etc.
- Ongoing legal liability

However, this statutory monitoring information is limited by:

- Time: although individual subsea structures and pipeline surveys may be required indefinitely, these surveys will cease if the operator / owner no longer exists. (In the Company Plan modelling it is assumed that no FLTC funded monitoring will occur on a site until at least 10 years after decommissioning.)
- Extent: Legislative monitoring requirements must be reasonable and current guidance is for clearance surveys out to 500m around structures and 200m alongside pipelines. Debris outside this zone may not be picked up. Also, where evidence is inconclusive as to the ownership or attribution of sea-bed hazards, the statutory responsibility cannot be enforced. The FLTC would therefore provide the means to cover this.
- Scope: there is also no responsibility for non-oil and gas related debris. Although this is not the primary function of the FLTC, it is likely that these issues can also be addressed, if appropriate and in the public interest
- Quality: the current Hydrographic Office records have been found to be not always current, comprehensive or accurate (this is particularly true of pipelines, where we have found they hold the intended, instead of the actual lay line)
- Access: there is no statutory responsibility on operators/owners to keep other sea users informed pro-actively of sub-sea hazards in the way currently undertaken and planned to be continued through the FLTC.

The FLTC will therefore add incremental public benefit by:

- Ensuring data quality, currency and availability of all information schemes, into the long-term: Oil & Gas UK currently and voluntarily contracts its subsidiary CDA to the task of providing this critical information about potential hazards in an effective, timely and user-friendly way. It will now pass this contract over to FLTC to take over the role and ensure that the scheme remains appropriate to current needs and mechanisms are in place to guarantee its existence long into the future.
- Following-up on reports of debris/hazards to ascertain the nature, source and location: It is important that a body such as the FLTC has the ability to independently survey past sites and incident locations to properly inform the fishermen/sea users of any problems and, if necessary, to monitor a changing situation. As the responsible companies may cease to exist over time and statutory requirements don't cover all eventualities, then this ability to report on potential hazards is important and, increasingly so into the long-term .
- Effectively communicating this data to fishing and other vessels is a major intended activity for the FLTC: Ensuring an independent means of verifying

survey information and its implications is seen as an important role. This would also extend to the FLTC keeping in touch with responsible parties, so that issues can be brought to their attention and inter-industry intercourse can be facilitated to manage them.

- Developing and improving the use of technology that assists in locating, tracking and monitoring seabed debris and hazards is also of interest to the FLTC in carrying out its intended purposes.

Although the FLTC will look for funding through contributions from the responsible oil and gas companies, it will not (and cannot) assume any responsibility or liability for residues or any obligation to rectify issues that arise.