

from 'Netherlands Quarterly Activity Report – End May 2016' a conversation with Jan Dirk Bokhoven

A Conversation with Jan Dirk Bokhoven – The Dutch Mining Climate: Room for Change, Room for Improvement

In our Quarterly Report at end February 2016 we mentioned that the production of oil and natural gas is still regarded as an activity of national importance for the Netherlands and that Dutch energy policy aims to exploit fully the oil and gas potential of the Netherlands. Considering the fact that the infrastructure will be dismantled as and when the currently known oil and gas fields will be abandoned, said policy should be put into practice as soon as possible: *time is of the essence*.

Time is of the essence but activity levels are low and it looks like they will remain low. We entered into conversation with Jan Dirk Bokhoven, former CEO of Dutch state participant EBN, and asked him what changes could be made to ensure that the remaining oil and gas reserves would be discovered and developed in time. Obviously without violating the interests of health, safety and the environment.



Three recommendations to the government

“Firstly, be realistic and do not be (mis)guided by the political issues of the day. Nowadays the oil and gas sector sails against the wind, politically and socially, in particular after the Macondo disaster and the earth-tremors in Groningen. But in the transition phase to sustainables, natural gas will play an important role for some time to come. Additionally, we should not forget that oil and gas are still indispensable as raw materials for the manufacturing of all kinds of products which, perhaps, is even more important than the entire energy debate. Just try to imagine not having these products. You would not get very far by car for example. The Netherlands therefore still badly needs oil and gas, as raw materials, as sources of energy and as sources of income.

Secondly, invest in the mining climate. I am thinking of the position of EBN, the civil service and the provision of data and information.

Finally, make sure that the sector sufficiently knows where it's at. Uncertainty does not create a fertile ground for investments. Communicate with the sector and provide a stable mining climate.”

What position do you have in mind for EBN?

“EBN participates in exploration and production but it is not a co-licensee. The participation by EBN is indirect, based on an agreement with the actual licensee (the agreement of cooperation or AoC). As a result, the position of EBN is not equivalent to that of the licensee and, despite its 40% share, EBN's role is a passive one – following the licensees – when decisions on exploration and production activities are being made. This is historically grown, but with all the changes in the Mining Act of recent years, there is hardly any difference between EBN and the licensees. A good example is exploration: not even that long ago EBN did not participate in exploration activities and the entire risk of exploration was taken by the licensees. Now EBN always participates in exploration and a level playing field has been created. It would therefore be much better if EBN could participate in exploration and production as co-licensee, on the same basis as the other co-licensees.

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As co-licensee EBN, for example,

- could play a more active role and, if necessary, could even go sole risk. Thus EBN would be in a position to increase the activity levels directly;
- would have a direct rather than an indirect right to the hydrocarbons. This would give EBN a stronger position in the event of, for example, the bankruptcy of the licensee;
- would be in a more clear position with respect to obtaining and paying for data acquired by the licensee."

What do you mean by investing in the civil service?

"Decision making with respect to oil and gas licences has been sluggish for years and seems only to get more sluggish. I am thinking of the granting of exploration and production licences, permissions to transfer these licences and the approval of the AoCs. Also the necessary amendments of legislation as a result of the Macondo disaster (implementation of the Offshore Safety Directive) and the earth tremors in Groningen (implementation of the recommendations of the report of the Dutch Safety Board (OVV)) progresses slowly, and this is not only due to the critical attitude of Parliament. The government has to deal with a shrinking civil service whilst the workload in the energy field does not decrease. Rather, it increases. In this changing environment the oil and gas sector seems to be given insufficient priority, despite the wealth that it creates for the Netherlands. Therefore, the government should ensure that there is a sufficient number of well qualified civil servants and it should prioritise in accordance with its own policies."

In what way could the provision of information and data be improved?

"The Ministry of Economic Affairs (MEA) provides information about exploration and production activities via the NL Olie- en Gasportaal (Nlog). The provision of information and data via the Nlog site is a good starting point but major improvements are possible. More data should be disclosed and serious investments in this website should be made.

There is now a whole range of data that will never be made publicly accessible. Such as reports with analysis of data. These analyses are often one of a kind, they cannot be repeated. And whilst these reports generally are of little or no value to their original owners any more, they most certainly are to new applicants and licensees. To keep these kinds of data for eternity without giving anyone access does not seem very wise to me. In addition, not all data acquired by the licensee has to be submitted to the government. And once a licence expires, or is relinquished, and the former licensee leaves the Netherlands, those data will be lost forever. In my opinion the UK system, which obliges the licensee to preserve the data indefinitely or submit the data to the government, which puts these data in the public domain, is a better method. Also the storage of seismic data, including the processed versions, by for example TNO, can be improved. Via TNO those data will be much more easily accessible than if they have to be obtained from the relevant (former) licensee.

The publication of decisions could also be improved. For example, decisions to extend the term of a licence are frequently published several weeks after the relevant decision has been taken or sometimes not at all. This is also true for voluntary relinquishments of exploration licences. The consequence being that it is not always clear which areas are open for applications for new licences.

Also exploration and production licences are no longer published. The MEA only announces the fact that such licences have been granted and to who it has been granted. Anyone interested in the considerations to the granting of the licence and the terms and conditions attached thereto, i.e. the policy applied by the MEA, will have to travel to the office of the MEA in The Hague. "

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What is wrong with the communication and why would this be relevant for the mining climate?

“Good communication is important for a stable mining climate: who should I contact with respect to which decisions, questions and issues and what will the (permitting) world look like tomorrow?”

At the MEA several reorganisations have occurred. The results of these reorganisations have not at all, or insufficiently, been communicated with the clients of the MEA, in this case the oil and gas companies. For the oil and gas companies, it is unclear who should be contacted on which issue and how the organisation now works.

At present, there are several different legislative proposals pending like the bill implementing the Offshore Safety Directive and the one implementing the recommendations from the OVV. There also circulates a proposal to introduce a separate permit for the drilling of exploration wells, onshore as well as offshore, but it remains unclear what transitory law will apply, making it very difficult if not impossible to plan for the drilling of new exploration wells.

All these uncertainties do not contribute to a stable mining climate and, without a stable mining climate, the enthusiasm to continue to invest in the Netherlands will, due to the level of investments and the long lead time required for the development of oil and gas fields, not increase rapidly, but will rather decrease.”

Your conclusion?

“I wonder if the Dutch government really wishes to exploit the oil and gas potential of the Netherlands fully or if these statements are merely words which, at least for the time being, will not be put into practice. *Time is of the essence* and for the still undiscovered oil and gas reserves, tomorrow will never come. So time to take some real actions.”

Karin Weisenborn (The Hague 1 June 2016)