

EXECUTIVE COUNCIL

PUBLIC

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Report author:	Regulatory Legal Advisor
Portfolio holder:	MLA Cheryl Roberts
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	Reason for redactions or not publishing: Under Executive Council Standing Order 23(2), Executive Council must have regard to the categories of exempt information in Schedule 3 to the Committees (Public Access) Ordinance when determining if information should be withheld. The categories which are potentially relevant to this paper are: <ul style="list-style-type: none">• 9 – Information about others’ financial and business affairs
Previous papers:	08/26: Cost recovery policy principles
List of documents:	Annex 1: Draft Offshore Minerals (Fees) Regulations 2026

1 Recommendations

1.1 For the reasons detailed in this report, Honourable Members are recommended to:

- (a) Approve the making of the Offshore Minerals (Fees) Regulations 2026 (annex 1).
- (b) Authorise the Attorney General to correct typographical errors and non-substantive drafting errors found in the draft regulations prior to publication.

2 Additional budgetary implications

- 2.1 It is not possible to accurately forecast the volume of work required for regulatory approvals and associated activities in future years as it will be dependent upon the speed at which licensees advance their respective projects. In turn, this means it is not possible to estimate the level of fee income that would be generated by the proposals. However, the intention is for the fees to offset the cost of staff and external consultants by passing the cost of most regulatory activity onto licensees.

2 Executive summary

- 2.2 Revenue received by the Department of Mineral Resources (DMR) from offshore petroleum activities is currently limited to acreage rent and discovery area fees. In recent years this revenue has largely been used for oil readiness activities including staff costs and outsourced consultancy work. Typically, acreage rents are used for treasury income that can be used for a variety of operational or capital expenditure across government much like any onshore leasing of government land. During 2024/25, around 25% of the revenue was spent on staff costs and 53% on external consultancy with the residue being used to cover government revenue activities.
- 2.3 With Sea Lion Northern Development Area (NDA) headed towards exploitation and regulatory submissions expected for the Central Development Area and potentially the Southern Development Area in the next few years, the volume of regulatory approvals required is likely to increase, necessitating further use of external consultants and the employment of additional staff.
- 2.4 The most equitable way to cover these costs is to recover them from the licensees driving the spend. In order to do so, it is proposed to introduce a set of regulations requiring fees to be paid for regulatory work carried out by the government. The draft Offshore Minerals (Fees) Regulations 2026 are attached as annex 1. The proposed fee rates have been set in line with the recently approved cost recovery policy principles.

3 Background

- 3.1 The Department of Mineral Resources currently collects acreage rents and discovery area fees from its licensees.¹ **REDACTED**
- 3.2 The revenue being generated has been utilised to fund DMR's staff and consultancy costs, with a significant proportion of staff time and much of the consultancy budget spent on reviewing regulatory submissions or related documents from the Sea Lion NDA licensees. The Field Development Plan (FDP) was initially submitted in September 2023 and took around nine months for its initial review by external consultants, with some subsequent work before being finalised in 2025. The Environmental Impact Statement required significant review periods by both FIG staff and consultants. In total around 20 different documents were submitted as supporting documents for the field development and production application for the Sea Lion NDA, including financial reports and assessments, social and economic impact assessments, emergency response and security plans, many of which required external reviews by subject matter experts as well as internal reviewers.

¹ There are 12 active production licences and 2 declared discovery areas.

- 3.3 The revenue and spend on staffing and consultancy costs for the past three financial years are as follows:

	Acreage rent (£)	Staff costs (£)	Consultancy costs (£)
2022/23	974,711	64,505	177,812
2023/24	936,289	360,344	553,353
2024/25	2,029,152	518,348	1,082,719

- 3.4 In October 2025 Executive Council approved the development and production programme submitted by the Sea Lion licensees for the NDA (59/25). Following the approval of the programme, the Falkland Islands have entered into an unprecedented regulatory landscape, with numerous further approvals, consents required to get to first oil. The Sea Lion licensees have also indicated that they intend to submit an FDP for the Central Development Area in the next few years.
- 3.5 Both the approval of the NDA programme and the expected forthcoming Central Development Area FDP will result in a significant increase in the workload of DMR. Executive Council has already approved the recruitment of an additional eleven members of staff (178/25 and 57/26) to regulate the Sea Lion NDA project, which is expected to result in an increase in costs of around £1m per annum. Both papers also included a potential future structure of the department that would see the total departmental salary costs increase to around £2.4m (the 2025/26 budget is around £610,000).
- 3.6 While the department will increase in size, it will still be reliant on specialist external consultants and support from UK government agencies. The level of specialised resourcing needs is akin to what UK regulators would have in place for these types of activities. The anticipated post-approval regulatory work required is complex and resource intensive which invariably means that the current consultancy spend would significantly increase.
- 3.7 Although the income from licence-related fees will increase due to the Sea Lion NDA moving into the production area licence fee stage **REDACTED**, this may be insufficient to cover the additional costs incurred as the department grows, the demand on external consultancy increases, and the production area licence fee will cease once commercial production starts. Introducing regulatory fees would allow the Department of Mineral Resources to cover most of its consultancy costs and a significant proportion of its staff and operating costs, and in more equitable way, as the licensee(s) instigating the demand and creating costs will be contributing to covering them. This would in turn allow the existing revenue from licence-related fees, which are effectively resource rents rather than regulatory fees, to support wider services provided by FIG.
- 3.8 The Directorate of Policy, Economy & Corporate Services has formulated a set of cost recovery policy principles which were approved by Executive Council in January 2026 (08/26). The agreed policy principles are that:
- (a) Fees must be service-linked
 - (b) Fees must be transparent and fair
 - (c) Fees must be equitable.
- 3.9 These principles have been considered in drafting the regulations and setting the

proposed fee rates detailed in schedule 2 of the draft regulations.

- 3.10 Introducing fees also delivers an objective from the 2025/26 budget-setting process, during which it was proposed that the income target for DMR was raised by £100,000 from 2026/27 onwards, which was planned to be achieved by introducing fees. £100,000 was used as a conservative figure based on an estimate of officer time spent during the preceding year on reviewing documents relating to the Sea Lion NDA project.

4 Analysis

- 4.1 The Offshore Minerals Ordinance 1994 (as amended) provides for the creation of fees in section 74B, which states that “*The Governor may make regulations to provide for fees and charges to be payable in connection with this Ordinance*” and goes on to set out that the regulations may set out:
- (a) the matters in respect of which fees and charges are payable;
 - (b) the amount of a fee or charge or the method by which it is to be calculated;
 - (c) who is liable to pay a fee or charge;
 - (d) when a fee or charge must be paid;
 - (e) how a fee or charge may be recovered; and
 - (f) the consequences of not paying a fee or charge (including, for example, a monetary penalty, a liability to pay interest, or the right of the Governor to refrain from doing the thing to which the fee or charge relates).
- 4.2 A draft of the Offshore Minerals (Fees) Regulations 2026 (annex 1) has been produced for consideration by Executive Council to introduce fees for regulatory activities carried out relating to the Offshore Minerals Ordinance 1994.
- 4.3 Section 4(1) sets out that fees are payable for ‘considering’ documents submitted to the Department of Mineral Resources in relation to any requirement under the Offshore Minerals Ordinance 1994 and its subsidiary legislation. As described in section 3, the term ‘considering’ includes reviewing the document to form an opinion about it (i.e. whether it is acceptable), making a recommendation to Executive Council on a document or DMR making a decision on the document.
- 4.4 The type of documents that fees can be charged for consideration are listed in schedule 1 and include:
- Applications for licences, permits, consents, approval, authorisations, acceptances, other permissions, registrations, exemptions or variations.
 - Documents that are required to be submitted before activities can take place.
 - Change notifications that are required to be provided.
 - Notices relating to exercising options or other rights.
 - Documents required following notices given by the Governor or related to financial assurance for decommissioning.
 - Any other document related to the above categories, including drafts, documents required by law or regulatory guidance and documents requested by the Governor or Director in connection with consideration of the above categories.
- 4.5 Section 4(2) sets out that all fees will be charged on an hourly basis rather than at a set cost. This approach has been taken on the basis that the time taken to review a document is not fixed and depends on the complexity, volume and quality of the document

submitted. Some documents may require multiple reviews of different iterations over a period of several months including the consultation of technical specialists. An hourly rate is also an incentive for licensees to submit high quality documents.

- 4.6 Section 5 sets out that fees are payable for work carried out by both public servants and consultants or other external entities (which might include UK government departments) engaged by DMR.
- 4.7 Section 6 sets out that the fees are payable to FIG and that any unpaid fee is recoverable as a due debt.
- 4.8 Section 7 sets out that overdue fees will have interest applied to them.
- 4.9 Section 8 sets out that the Governor or Director of Mineral Resources may suspend work if fees are unpaid.
- 4.10 Section 9 allows the Director to waive or refund fees in cases where it is ‘unreasonable’ to require payment of the fee. An example of such a situation would be that a particular officer has started a review of that document but is incapacitated and a different officer has to start the same work from scratch; in such a case, it would not be reasonable to charge for the initial officer’s time.
- 4.11 Section 10 sets out transitional arrangements, specifically that fees will apply from the date that the regulations commence.
- 4.12 Section 11 sets out consequential amendments required to other subsidiary legislation of the Offshore Minerals Ordinance 1994 to consolidate all fees and charges into the proposed regulations. One exception remains, which is the fees set out in section 9 of the Offshore Petroleum (Licensing) Regulations 1995 and Offshore Petroleum (Licensing) Regulations 2000.
- 4.13 The proposed fees detailed in schedule 2 have been set in line with the Cost Recovery Policy Principles agreed by Executive Council in January 2026 (08/26).
- 4.14 There are four tiers of fees, as set out in schedule 2:
 - Public servants at grade A1 and above
 - Public servants at grade A or B
 - Public servants at grade C
 - Consultants or other external entities
- 4.15 The hourly rate of the public servants has been calculated on the basis of the staff costs (basic salary, gratuity, market supplements, pension contribution, on-call allowances, relocation allowances (spread over four years) and annual return flights), plus departmental overheads (including heating, electricity, phone lines, internet, cleaning, printer, postage, stationery etc). Due to the complications that would be caused by charging different rates for every staff member, staff costs have been calculated using the top of grade and assuming an overseas contract to ensure there is no under-recovery.
- 4.16 The hourly rates for consultants and other external entities will be their actual rates, with 10% added to cover contract management lifecycle costs (including the initial procurement and ongoing contract management).

- 4.17 The Department of Mineral Resources will adopt a mechanism for timekeeping through introduction of timesheets. Guidance is in the process of being developed and trialled for officers on how to record their time accurately.
- 4.18 Consultants and other external entities will be required to invoice DMR on an hourly basis and/or to provide an hourly breakdown based on fixed price activity, clearly identifying the tasks carried out, in order to allow DMR to pass these costs on in an accurate manner.

5 Consultation

- 5.1 No formal consultation has been undertaken. However, the introduction of fees and the fee-setting process has been discussed with Strategic Oil Group, Tactical Oil Group and the Policy Department.

6 Options and reasons for recommending preferred option

- 6.1 Option 1 (recommended): Approve the making of the Offshore Minerals (Fees) Regulations 2026.
- 6.2 Option 2 (not recommended): Do nothing.
- 6.3 The preferred option is recommended on the basis that it would ensure that a significant element of the cost of regulating the offshore petroleum industry is recovered from the industry on an equitable basis.
- 6.4 Option 2 is not recommended as it would be unfair and unequitable for the public purse to absorb the cost when commercial interests are to make a gain from the oil activities.

7 Resource implications

7.1 Financial implications

- 7.1.1 Introducing fees will result in additional income that will be used to offset costs within the Department of Mineral Resources. The volume of work is dependent on the speed at which licensees operate, meaning it is not possible to provide an accurate forecast of income.

7.2 Human resource implications

- 7.2.1 The postholder of the new Business Manager role (approved in paper 57/26) will be responsible for operational adoption, expansion and ongoing management of these fees, including collating timesheets, calculating fees due and issuing invoices. As also noted in paper 57/26, an Assistant Business Manager post may be required at some point in the future depending on the level of work being carried out by the department. However, this would be primarily to enable the cost recovery work.

7.3 Other resource implications

- 7.3.1 N/A

8 Legal and legislative implications

- 8.1 The recommendations contained in this report are to adopt the fees regulation to ensure the costs associated with the industry are recovered. As detailed in the report, the Offshore Minerals Ordinance 1994 (as amended) provides for the creation of fees in under section 74B. Those lawful fees are set out through the making of the secondary regulations and can be applied once in force.

9 Equalities and human rights implications

- 9.1 There are no constitutional equalities and human rights implications associated with the recommendations contained in this report.

10 Environmental & sustainability implications

- 10.1 N/A

11 Camp implications

- 11.1 N/A

12 Significant risks

12.1 REDACTED

13 Publicity

- 13.1 No public publicity is planned. If the regulations are approved, licensees will be informed of the fees coming into force.

Offshore Minerals (Fees) Regulations 2026

(No. OF 2026)

ARRANGEMENT OF PROVISIONS

Regulation

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2. Commencement
3. Interpretation
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8. Director may waive or refund fee in particular case
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10. Amendment of Offshore Installations (Safety Case) Order 2008

SCHEDULE 1 - DOCUMENTS FOR WHICH FEE PAYABLE

SCHEDULE 2 - HOURLY RATES

Offshore Minerals (Fees) Regulations 2026

(made: 2026)
(published: 2026)
(commencement: on publication)

I make these Regulations under section 74B of the Offshore Minerals Ordinance 1994 on the advice of Executive Council.

1. Title

These Regulations are the Offshore Minerals (Fees) Regulations 2026.

2. Commencement

These Regulations come into force on publication in the *Gazette*.

3. Interpretation

(1) In these regulations,—

“**application**” includes a document referred to in subsection (2);

“**considering**” a document, includes —

- (a) making a decision on the document;
- (b) forming an opinion about the document (such as whether the content of the document is acceptable); and
- (c) making recommendations to the Executive Council or Governor about the document;

“**consultant**” means a person or organisation engaged by the Government to do work considering a document;

“**Director**” means the Director of Mineral Resources;

“**Ordinance**” means the Offshore Minerals Ordinance 1994;

“**under the Ordinance**” includes under —

- (a) any regulations, Orders and other subsidiary legislation made under the Ordinance;
- (b) any UK enactment applied under section 36 of the Ordinance;
- (c) a licence granted under section 6 of the Ordinance;
- (d) a permit, consent, approval, authorisation or other permission or exemption granted under the Ordinance (including any conditions subject to which it was granted);
- (e) the conditions subject to which the Governor or Director has approved or accepted a document under the Ordinance.

(2) For the purposes of these regulations, a document submitted for approval or acceptance by the Governor or Director is taken to be an application for approval or acceptance of the document.

4. Fees for considering documents

- (1) This regulation applies if a person submits a document listed in Schedule 1 for consideration by the Governor or Director in connection with the Ordinance.
- (2) An hourly fee is payable by the person for each hour (or pro rata for every part of an hour) of work done by a public officer or consultant in considering the document.
- (3) The fee is to be calculated using the hourly rates set out in Schedule 2.
- (4) The hourly fee must be paid —
 - (a) on the issue of an invoice by or on behalf of the Government; and
 - (b) within the time frame specified in the invoice.

5. Fees payable to Crown

- (1) All fees payable under these regulations are payable to the Director on behalf of the Crown.
- (2) Any fee that is not paid when due may be recovered in a court of competent jurisdiction as a debt due to the Crown.

6. Interest on overdue fees

- (1) If a fee is not paid when due, interest accrues on the debt from the date on which payment became due, unless a court in which the debt is recovered orders otherwise.
- (2) Interest accrues at the rate applying from time to time to a civil judgment debt under section 17 of the Judgments Act 1838 in its application to the Falkland Islands.

7. Suspension of work for non-payment

If a fee is not paid when due, the Governor or Director may suspend work, or further work, in relation to —

- (a) the application or matter to which the unpaid fee relates; and
 - (b) any other application or matter in connection with the same applicant or person,
- until the overdue amount (plus interest under regulation 6) is paid.

8. Director may waive or refund fee in particular case

The Director may waive or refund all or part of a fee if satisfied that it would be unreasonable in the circumstances of the case to require payment of the fee.

9. Transitional

These regulations apply to all work considering a document that is done after the date of commencement of these regulations (even if the document was submitted before that date).

10. Amendment of Offshore Installations (Safety Case) Order 2008

- (1) This regulation amends the Offshore Installations (Safety Case) Order 2008.
- (2) Delete article 5.

SCHEDULE 1 - DOCUMENTS FOR WHICH FEE PAYABLE

regulation 4

1.	An application for a licence under section 6 of the Ordinance, other than an application to which regulation 9 of the Offshore Petroleum (Licensing) Regulations 1995 or Offshore Petroleum (Licensing) Regulations 2000 applies.
2.	An application for — (a) a permit, consent, approval, authorisation or other permission (by whatever name) under the Ordinance; or (b) approval or acceptance by the Governor or Director of a document that a person is required or permitted under the Ordinance to submit to the Governor or Director for approval or acceptance.
3.	An application for registration of a person or thing under the Ordinance.
4.	An application for an exemption from a requirement under the Ordinance.
5.	An application — (a) to vary a licence, permit, consent, approval, authorisation, other permission, registration or exemption referred to in paragraphs 1, 2(a), 3 or 4 or, if it was granted subject to conditions, to vary those conditions; (b) to vary an approved or accepted document referred to in paragraph 2(b) or, if it was approved or accepted subject to conditions, to vary those conditions; (c) to change the persons to whom any such licence, permit, consent, approval, authorisation, other permission, registration, exemption or approved or accepted document applies.
6.	A document that a person is required under the Ordinance to give to the Governor or Director before an activity to which the document relates can be carried out.
7.	A change notification that a person is required under the Ordinance to give to the Governor or Director.
8.	A notice exercising an option or other right available to a person under the Ordinance.
9.	A document that a person is required to give to the Governor — (a) by a notice under section 57 of the Ordinance (financial information relating to decommissioning); or (b) in relation to the financial assurance required under section 57A of the Ordinance (financial assurance in relation to decommissioning duty).

10.	<p>A document that is associated with a document referred to in paragraphs 1 to 9 or with another document to which this item applies (the “primary document”), including —</p> <ul style="list-style-type: none">(a) a draft of the primary document;(b) an environmental impact statement required under section 64A or 64B of the Ordinance in connection with the primary document;(c) a document that a person is required under the Ordinance to submit in connection with the consideration of the primary document;(d) a document that is provided for in regulatory guidance relating to the consideration of the primary document;(e) a document requested by the Governor or Director in connection with the consideration of the primary document, <p>including a document that is (or will be) associated with a primary document that a person proposes to submit but has not yet submitted.</p>
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SCHEDULE 2 - HOURLY RATES

regulation 4

For work done considering a document by:-	Rate per hour:-
A public officer of Grade A1 or above	£ 104
A public officer of Grade A or B	£ 86
A public officer of Grade C	£ 76
A consultant	The hourly rate payable by the Government in respect of the consultant's work plus 10%

Made

2026

S. R. BRICE / C. MARTIN-REYNOLDS C.M.G.,
Acting / Governor.

EXPLANATORY NOTE
(not part of the regulations)

These regulations are the Offshore Minerals (Fees) Regulations 2026. They are made under the Offshore Minerals Ordinance 1994 and come into force on publication in the *Gazette*.

These regulations set fees for consideration of applications and other documents submitted in connection with the Ordinance.

The nature and extent of work required varies considerably from case to case, so the fees are to be calculated on the basis of an hourly rate so that the fee charged is reflective of the amount of work actually required.

Hourly rates are set for work done by public officers at different levels. Where work is done by an external consultant, the fee is based on the hourly rate charged by the consultant plus 10%.

All fees are payable on the issue of an invoice. If a fee is not paid when due, the amount can be recovered as a debt to the Crown and interest will accrue on the unpaid amount. If the unpaid fee relates to an ongoing matter or there are other ongoing applications or matters for the same person, the Director may suspend work on those matters until the overdue amount is paid.