“A global energy industry, anchored in the UK, powering the nation and exporting to the world”

Oil & Gas UK Blueprint for Government – 2017

Oil & Gas UK is the leading trade association for the UK oil and gas industry, with around 400 members across the UK. We are an apolitical organisation with a clear vision for the industry and these are key priorities for the new UK Government.
Blueprint for Government

Vision 2035: a £290 billion opportunity for UK oil and gas

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Worldwide need for energy is forecast to increase by a third by 2035 with global GDP doubling over the same period. Oil and gas have a crucial role to play in satisfying that demand in support of an international move to a low carbon future. With the right policy framework, our abundant geology, legacy infrastructure, a world class supply chain and considerable national expertise could help enable lower cost CO2 transportation and storage, and facilitate the future use of clean hydrogen to provide low carbon solutions across power, heating and transport.

In 2035, oil and gas will still supply around half of the world’s primary energy needs, with the UK Government forecasting that oil and gas will provide two thirds of the UK’s energy requirements. Production of our indigenous oil and gas resources not only underpins industrial growth in other sectors of the economy, but is also a fundamental part of our everyday life.

The UK oil and gas industry’s Vision 2035 (below), draws on two narratives: one for UKCS oil and gas production; the other for our supply chain. With up to an estimated 20 billion barrels of indigenous oil and gas yet to be recovered, we could ensure we are still a significant producer in 2035.

Our supply chain has the potential to double its turnover within a generation by capturing a larger share of export markets as well as increasing gross revenue from extending UKCS oil and gas production.

Extending the life of the UKCS and making full value of our world class supply chain could generate additional revenue of over £290 billion (2016 money undiscounted) to the UK economy.

This is Oil & Gas UK’s blueprint for the next Government. We have identified four priority areas, which we set out on the next page.
Blueprint for Government

**Priority 1: Establish a UK energy policy which realises the full benefits of the UK’s indigenous resources.**

1. An energy policy for the UK, built upon the Maximising Economic Recovery UK strategy, which acknowledges that:
   a. Oil and gas have a vital role in the energy mix over the long term, particularly as transport fuel, in power generation, in space heating and in specific industrial applications,
   b. As an affordable, reliable, lower-carbon fuel, natural gas helps achieve significant Green House Gas (GHG) emissions reductions, replacing more carbon-intensive fuels. In the longer term, Carbon Capture and Storage (CCS) could make a significant contribution toward reducing GHG emissions. Continued research and development are therefore required to advance this technology,
   c. Given the continued demand for oil and gas, the UKCS offers an affordable and secure source of energy.

**Priority 2: Ensure the UKCS is globally competitive for investment.**

2. Build a competitive fiscal regime, which includes a continued commitment to HM Treasury’s Driving Investment Plan, while addressing fiscal barriers to entry, particularly regarding decommissioning.
3. Build a competitive regulatory regime, working with the sector to minimise the cost of regulation, while protecting our world class safety standards.
4. Invest in world-class infrastructure to ensure that oil and gas hubs across the UK are connected physically and digitally (e.g. airports, rail connections and access to high speed broadband).

**Priority 3: Strategic management of Brexit to support, develop and promote the oil and gas industry.**

Prioritise the following principles during the Brexit negotiations:

5. Frictionless access to markets and labour
   a. Ensure that post Brexit immigration policy allows businesses to recruit highly skilled personnel from across the world.
6. Maintaining a strong voice in Europe
   a. Ensure that EU policy issues critical to the oil and gas industry are managed in partnership with industry throughout the Brexit process (for example, clarity over the future of the emissions trading scheme and how it will be applied in a UK context).
7. Protecting energy trading and access to the internal energy market.

**Priority 4: Take practical steps to protect, progress and promote operators, the supply chain and the offshore and onshore workforce.**

8. Plan a Government programme promoting the capabilities of the oil and gas supply chain, including Department for International Trade account management support for SMEs.
9. Improve physical infrastructure to support activities from new developments through to decommissioning.
10. Commit to extending funding for the Oil and Gas Technology Centre to support commercialisation of ground breaking new technology.
11. Ensure better signposting of Government funding that could be used to pursue MER UK.
12. Increase the number of trained engineers and encourage greater take-up of STEM subjects, particularly among girls, by implementing the recommendations from the Women’s Business Council and the Perkins’ review of Engineering Skills.
13. Undertake a mapping of future skills demand that accounts for technical advances.
14. Recognise the importance of workforce engagement to the development and retention of skills.
The average share price of supply chain companies on the UKCS increased marginally by 3% in 2016.

The UKCS has improved its efficiency, streamlined costs and boosted productivity over the last two years.

UKCS production has increased by 16% since 2014, following over a decade of continual decline.

Unit operating costs fell to $15.30 per foot during 2016, down 48% from the peak of $29.70/boe in 2014.

Around 360 million boe of oil and gas was discovered in 2016, more than in any year since 2008.

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