Our vision is to ensure the UK Continental Shelf becomes the most attractive mature oil and gas province in the world with which to do business.

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Foreword

The impact of the Coronavirus around the world is devastating. Quite rightly, the immediate priority is to protect public health. In support, our colleagues in the oil and gas industry continue to help provide the safe, secure supplies of energy the UK needs, working in challenging and often remote circumstances.

With more than half of the world’s population under some form of lockdown, industrial output has plummeted and energy demand has collapsed, and the economic consequences of COVID-19 are plain to see. It is estimated that the global economy could shrink by 8 per cent this year if lockdown continues through the second quarter. The UK economy is likely to reduce by one-third and unemployment levels could rise to as high as one in ten. The economic impact of the coronavirus pandemic will likely be a legacy felt for decades.

Our latest Business Outlook report clearly illustrates the severity of the impact on the UK’s oil and gas industry. The outlook is bleak compared to the picture of steady growth seen only two months ago, before the grip of the pandemic became clear. For an industry just emerging from one of the most prolonged downturns in its history, this is especially concerning.

Global oil demand has fallen by almost 30 per cent in a little over two months and the Brent price has collapsed by almost 70 per cent since the start of the year. Alongside this, UK gas prices have fallen to their lowest level for 14 years and are amongst record lows.

Operators have down-manned to essential personnel offshore to protect the health of the workforce, and have also cut most discretionary activity in support of this and as a result of low commodity prices. As a result, new activity in the basin has stalled, investment plans have been postponed and major planned shutdowns delayed. Even after the lockdown eases, low commodity prices are likely to endure, slowing any recovery into 2021 and beyond.

As our report shows, we are particularly concerned about the ability of the supply chain to absorb more pain. Contracts are already being deferred or cancelled and the longer-term pipeline of work is becoming increasingly uncertain.

The collapse in investment will inevitably impact employment. Job cuts have already been announced and we will see many more in the coming months. Our current estimate is that up to 30,000 jobs could be lost over the next 12–18 months, if action to help the sector weather this storm is not successful. Only by concerted action across industry and governments can we begin to mitigate such damage.
In such challenging times it is critical to recognise that with the right support this industry can still have a strong future. Over recent years we have responded to difficult challenges to re-establish ourselves as a globally competitive basin. Without dodging the scale of challenge, we must step up again and use this as an opportunity to renew the UK’s commitment to a just, inclusive and sustainable transition to a low-carbon future. This relies on an oil and gas industry anchored in the UK using its skills to provide the energy the country needs while supporting the transition to a net-zero future by unlocking development of the critical infrastructure of the future, including carbon capture and hydrogen.

Our report proposes a three-stage framework to address immediate needs, spur the recovery and accelerate the transition to a net-zero future. This will require us to work closely with the UK and Scottish governments to make the most of the supply chain capability developed over recent decades. At the same time we have to ensure this continues to be a competitive basin attracting the investment we need in oil and gas to meet the UK’s current energy needs, while working together to deliver its net zero target.

The actions we take now for our industry will shape the UK’s energy future for decades, attracting investment, providing skilled employment and unlocking technologies essential to our transitioning economy.

These may be the most difficult times that any of us have faced, personally, operationally and economically, but our industry has a track record of resilience and working through challenges as they arise and I have no doubt that we will do this again.

Deirdre Michie OBE,
Chief Executive, OGUK
Market Development

Brent Oil Price and FTSE 100 Development, 2020

23rd January
Wuhan is the first Chinese province to enter lockdown

31st January
Covid-19 declared global health emergency

9th March
Russia's refusal to agree to OPEC+ deal saw oil price fall 27%

2nd April
US Administration tweets potential OPEC+ deal

14th March
US extends travel restrictions for UK

23rd March
UK enters lockdown

13th April
Prices stagnate following historic OPEC+ deal, due to remaining fears of oversupply

Source: EIA, Yahoo Finance, OGUK
The UKCS is facing the consequences of the global oil market turmoil caused by the impact of COVID-19 on the global economy, both in suppressing demand and halting expectations of global growth. As can be seen, the challenges within the oil market have intensified during April, as demand continued to be eroded and additional volumes from OPEC+ countries entered the market. Prices in the last month have averaged $22.50/barrel (bbl) — 65 per cent lower than the January 2020 average — and Brent was trading as low as $16/bbl on 22 April, the lowest nominal price for more than 20 years.

Subsequently OPEC+ countries have agreed to supply cuts of 9.7 million barrels per day (bpd) effective as of 1 May, with further reductions expected from non-members such as the US, amongst others, which could push total supply restrictions upwards of 15 million bpd. These are record supply reductions, but will still not be enough to balance the market in the short term, as demand has fallen by around 30 million bpd — back to rates last seen in 1995. Normally, low oil prices would boost demand and help to stabilise the markets. These are not however ‘normal times’, as demand remains constrained by COVID-19 due to more than half the world’s population being in ‘lockdown’.

The IMF now forecasts that the global economy could contract by at least 3 per cent this year, a downgrade of 6.3 percentage points since January. If lockdown measures continue beyond the second quarter then the global economy could shrink by as much as 8 per cent.1 The fall in GDP in some economies, including the UK, in April and May is expected to be around one-third. The IMF expects the impact of the economic crash will be even more significant than the 2008 financial downturn and the most severe contraction since the Great Depression of the 1930s.

The continued oversupply in the market has resulted in concerns around storage capacity, with inventories continuing to build at record rates. The impact of this was seen in mid-April when, for the first time, WTI (West Texas Intermediary) prices became negative in the US as a result of local storage constraints. Whilst WTI is an important regional benchmark for North America, there are questions around whether the Brent market could yet face similar issues. Although North Sea Brent does have more routes to market, there is the possibility of storage issues emerging if the current rate of oversupply persists and this will continue to be monitored closely. It is possible that if this issue escalates then production curtailments could be required.

Unsurprisingly, Brent futures prices have also fallen, demonstrating that the effects of COVID-19 are likely to be prolonged. Futures contracts for the remainder of 2020 at the beginning of April show an average 40 per cent fall compared to those at the beginning of March. Futures contracts currently remain below $40/bbl through to at least the end of 2021.

As OGUK reported in *Business Outlook: Security of Supply*, gas demand in the UK has also fallen during the ‘lockdown’ period; mid-April saw a 15 per cent drop in demand as industrial requirements have declined and electricity consumption has fallen by 16 per cent. The weather conditions in recent weeks have also resulted in increased output from renewables, meaning less gas is required for power generation.

There has now been a generally downward trend for gas prices since the beginning of 2019, when the NBP price was around 60 pence per therm (p/th). The average price in the first quarter was 24.82 p/th, however it has since fallen to 10.40 p/th on 21 April. In real terms, these are amongst the lowest levels on record and reflect oversupply in the global and regional gas markets.

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2 [www.oilandgasuk.co.uk/product/business-outlook-report/](http://www.oilandgasuk.co.uk/product/business-outlook-report/)
OGUK has conducted a survey of members regarding business sentiment for 2020 which offers a telling insight into the pressures the industry is facing. The Business Sentiment Survey had a high response rate amongst both E&P companies and supply chain members. The findings show there has been a significant fall in the sentiment of companies across the industry as a result of the impact of COVID-19 which has slowed down offshore operations and led to the collapse of commodity prices.

At the beginning of the year a significant proportion of companies reported to OGUK that they were anticipating a more positive year ahead, with many planning for growth. In January, almost a quarter of E&P companies reported to OGUK that their outlook for 2020 was better than 2019, with the remaining 75 per cent reporting that they expected it to be around the same. Now all E&P companies who responded report worse, and in some instances significantly worse, sentiment.

These feelings are mirrored in the supply chain community, which already faced a challenging environment that has now been exacerbated by the drop in demand due to activity and expenditure reductions across the industry. In January, almost half of supply chain companies reported an improved outlook for 2020 compared with 2019, whilst 93 per cent reported a worse or significantly worse outlook in the second quarter.
Companies across the industry are grappling with one of the most uncertain and difficult periods ever encountered. The operational and economic disruption due to COVID-19 is having an immediate impact, reducing short term activity as companies focus on the health and safety of workers and on business continuity. The price collapse is causing investment plans to be put on hold and it will take time to see any pick-up in activity until oil demand begins to recover and oil markets strengthen.

As outlined in OGUK’s Business Outlook: Markets and Investment report in March, it is anticipated that the low commodity price environment could push the UKCS into a negative cash flow position this year — i.e. total expenditure will be greater than revenue from oil and gas production. It is anticipated that total revenue will be less than half that of recent years, however oil price hedging by some companies may provide a short-term cushion against the worst of the price drops. Overall, a quarter of companies have highlighted that they feel challenged financially, and in some cases significantly challenged, in the current environment.

Preserving cash in this environment is crucial for E&P companies. This financial challenge, coupled with the longer-term uncertainty in commodity markets, is having a significant impact on companies as they re-evaluate business plans and rephase projects and planned investments.

The impact of COVID-19 on the wider international supply chain is also having consequences for the supply of specialist equipment to the UK market. Eighty-seven per cent of E&P companies report that they have experienced issues in the movement of goods due to Coronavirus disruption, especially with regards to supplies originating from China and Italy.

1 www.oilandgasuk.co.uk/product/business-outlook-report/
OGUK now expects that more than half of companies will defer at least half of their activities originally planned for 2020, although the extent of the measures taken by companies will vary depending on the specifics of their portfolios and where projects are positioned in the development cycle. Impacted projects range from large-scale field developments through to infill and exploration drilling and non-safety critical facility upgrades. There is still uncertainty as to when companies will be able to return to these activities, however it is crucial that they remain in company plans and are not deferred indefinitely.

Finding means to encourage some early recovery in activity will be important in supporting production levels and to provide visibility of demand for supply chain companies. This will aid the ability of supply chain companies to retain assets in the UK rather than move them to other markets.

Reflecting current trends, OGUK expects only a small number of new fields to gain investment approval by companies this year. This will be determined by how the market continues to develop. This is likely to be in line with the trends seen in 2016–17 when only two new fields were approved in each of these years, with total new investment commitments of less than £500 million respectively. Overall, there are almost 2.5 billion barrels of oil equivalent (boe) in green- and brownfield opportunities currently within company business plans and awaiting investment.

OGUK estimates that more than half of projects have a positive net present value (NPV) at $30/bbl and 20 p/th, representing £15 billion of capital investment and almost 1.5 billion boe of prospective resources. However, the vast majority of these projects are very marginal at these prices and intense capital rationing will mean it is even harder for most projects to secure investment under current market conditions.

It will be crucial that the industry is able to continue to improve its competitiveness to attract new investment as part of the recovery process. This will provide vital work for supply chain companies and also support the UK’s longer-term energy security.

At the time of writing OGUK is not aware of any significant negative impact on production across the basin, however there have been some instances reported of production having to be stopped due to operational issues. Although the deferral of maintenance shutdowns, such as the Forties Pipeline System, should improve production this year, there will be a knock-on impact from the deferral of other planned activities, such as drilling and well interventions. Reflecting this, almost two-thirds of E&P companies have reported that they now expect production to be lower than originally anticipated this year, however the extent of this remains uncertain. The lower levels of barrel-adding activities this year will also have a likely impact on production into 2021.
Drilling and Wells Activity

Drilling activity is being severely impacted by the disruption caused by COVID-19 and the resulting commodity price crash. Although some companies have been able to continue drilling operations, with careful risk assessment, many are choosing to defer activity to minimise operational risk and uncertainty over the supply of critical equipment. There is an underlying hope of recommencing activity later in the year. Any such improvement will, however, be dependent on the longevity of the impact of the virus, the commodity price environment and how successful the industry has been in remaining competitive and retaining people, assets and resources.

A total of 24 new wells have been spudded so far this year (23 development, 1 appraisal and no exploration) in comparison to 49 at this stage of 2019 (44 development, 2 appraisal and 3 exploration). The largest reduction has been seen in April when just 3 development wells were spudded, in comparison with 21 last year. It is likely that a similar trend will be seen in May, as companies choose to defer discretionary activities. Although it is uncertain as to how plans will develop, it is possible that drilling activity this year could fall to in the region of half the levels seen last year, with the potential for 2020 exploration activity to be particularly badly affected — this would be a record low in terms of drilling activities. Alongside this there will also be deferrals in the number of well interventions and decommissioning work is also likely to slow down. OGUK will continue to track overall activity levels throughout the year.

This sharp fall in activity starkly illustrates the challenges seen across the sector as project deferrals and contract cancellations immediately filter through the supply chain. These trends are resulting in a collapse in anticipated demand for drilling rigs on the UKCS in 2020, with lower levels likely to continue into 2021. This comes at a time when companies would be planning for an increase in demand during the summer months. The negative impact on platform drilling operations is likely to be similar.

With levels of activity becoming so low, there is real concern about the ability of companies to retain people and resources in the UK. A loss of capability will, in turn, hamper the ability to service future increases in demand levels. It is crucial that there is sufficient visibility of activity to retain rigs and resources; if the UK market shrinks too far it will be unattractive to drilling companies, leading to cost escalation and impairment of future plans.
The anticipated reductions in activity levels will have a marked impact on planned expenditure from E&P companies this year.

In March, OGUK reported that capital investment this year was likely to be 20–30 per cent lower than originally planned at the beginning of 2020, however it is now anticipated that the scale of capital reductions could be 30–40 per cent lower than first planned. Total capital investment could fall to around £3.5–4 billion, the lowest levels of investment on the UKCS since 2000 (in real terms) and amongst the lowest levels of investment seen since the early 1970s. The majority of this spend will be related to projects committed to prior to 2020. It is important to note, however, that there is still significant uncertainty around this figure as companies continue to evaluate the operating and market conditions. Action taken now could still lead to some recovery, making the fall less severe.

Similarly, operational expenditure is expected to come under pressure with all E&P companies reporting that they expect this to be lower in 2020. OGUK anticipates that this will be at least 10–20 per cent less than anticipated at the start of the year, at £6–7 billion, as companies seek to reduce flexible and discretionary activity levels and implement greater levels of efficiency. However if companies need to continue with minimum manning and operations for a prolonged period, then spend in this area is likely to be even lower.

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4 www.oilandgasuk.co.uk/product/business-outlook-report/
Supply Chain

Revenue and Margins

The industry has an extensive supply chain, with the latest data from EY showing there to be more than 1,200 companies within the UK sector. These companies service the full oil and gas value chain as well as providing goods and services to other parts of the energy industry, both here and around the world.

The reductions in activity and expenditure that are being seen will quickly filter through to the supply chain, which is already significantly stretched financially in many areas. Almost all companies (97 per cent) who responded to the Business Sentiment Survey report that revenues will be lower than expected at the start of the year, with almost 90 per cent expecting a reduction in margins. This is a stark contrast to the position many companies were in at the beginning of the year, when almost two-thirds reported they were expecting higher revenue for the period, and one-quarter expecting an increase in margins.

OGUK now anticipates that there could be a 20–30 per cent reduction in revenues across the supply chain along with similar levels of decline in EBITDA margins. Total revenues for the supply chain (from both the UK and export markets) have the potential to fall to less than £20 billion this year — almost half that seen in 2014 (in real terms) — and margins could fall to between just 4 and 5 per cent, marking a 55 per cent decline over the same period. These trends will push many companies into a cash loss position. However, it should be noted that the impact on businesses will vary depending on their position in the industry and their level of diversification across the energy sector.
The fragile financial position of many companies across the supply chain is all too apparent. There has been pressure to volunteer contract rate reductions, and OGUK is aware of a number of examples throughout the supply chain where reductions of up to 40 per cent have been requested. In some cases, these are in addition to reductions seen during the previous downturn, compounding pressure on companies. It is likely that many companies will simply be unable to absorb reductions of this scale, likely leading to a loss of companies and capabilities within the UK economy. On average, supply chain companies report a level of 3.3 out of 5 (where 1 indicates significantly challenged and 5 indicates financially robust) in terms of their short-term financial sustainability. Whilst half of companies report that they are in a relatively robust financial position, a quarter report that they are challenged, or significantly challenged, and a further quarter report a more ‘neutral’ position. If activity levels remain depressed long term, pressures are likely to continue to build, even in companies who report relatively robust short-term positions. OGUK will be monitoring this on a quarterly basis throughout the year.

Although there are strains across all areas, some sectors of the supply chain are more exposed than others. Those which are most exposed to capital projects, such as drilling and wells contractors, will see an almost immediate impact as contracts are cancelled — examples of this are also being seen in other areas such as subsea. However, companies whose revenue is mainly based on operational expenditure will also see reductions due to the deferrals of non-safety critical maintenance.

Most of the companies in the most financially challenged position are relatively small, typically with less than 50 employees; these organisations do not possess large enough balance sheets to cope with additional pressures. Over recent years, many companies, both large and small, have invested in capabilities to service new contracts and work scopes which have since been deferred or cancelled and therefore returns on these investments may not be realised. Cash flow management will be crucial for companies in this position and effective and fair management of this throughout the industry is critical.

It is more important than ever that all companies within the sector work constructively together to overcome the difficulties the whole industry faces. OGUK encourages all companies operating in the UK industry to adhere to the values outlined in the Supply Chain Principles. This will help to increase effectiveness and efficiency, support industry performance, eliminate unnecessary costs, add value and strengthen our competitive proposition.

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5  www.oilandgasuk.co.uk/supplychainprinciples
The skills, technologies and capabilities within the oil and gas industry can be utilised to help drive the UK towards achieving its net-zero ambitions. The capabilities within the industry map well against those which will be required to support the development of carbon capture, use and storage (CCUS), hydrogen and other low-carbon energy sources such as offshore wind (particularly floating wind).

It is vital that these capabilities are maintained, not just to support future activity in oil and gas, but to advance the drive to net zero. The diversification into new business areas such as this can provide many companies with new opportunities to offset the declines that are currently being seen in the oil and gas industry. The UK’s oil and gas supply chain provides us with a huge competitive advantage. If the UK does not maintain an active and diversified energy sector, we will see other countries move in to benefit from the investment in new energies over the decades to come.

It is positive to see that the supply chain is already seeking to diversify its reach into new energies and new markets. In early 2020, around three-quarters of companies reported to OGUK that at least some of their revenue is generated from non-oil and gas related work, with 30 per cent noting that more than 25 per cent is derived from diversified activity. More than three-quarters of supply chain companies expected to increase their exposure to non-oil and gas work this year, and the proportion is likely to have increased even further in light of recent trends.

It will benefit the economy if the government works with the energy industry to stimulate new activity in these areas in order to advance net zero.
The UK's oil and gas supply chain provides a foundation for CCUS, Hydrogen and offshore renewables. Reservoirs and subsurface management, Drilling and wells delivery, Offshore facilities, platforms and structures, Marine, subsea and pipelines, and Cross sector services are key areas of focus.

Oil and Gas Integration Across the Energy Landscape

- Oil & Gas: ✓ ✓ ✓ ✓ ✓
- CCS: ✓ ✓ ✓ ✓ ✓
- Hydrogen: TBC* TBC* ✓ ✓ ✓ ✓
- Wind: ✗ ✗ ✓ ✓ ✓ ✓

*Hydrogen business models and supply chain requirements still being developed
Industry Employment

There is a direct relationship between industry activity, expenditure and the level of employment that they support. It is therefore inevitable that the trends currently being seen across industry will, unfortunately, result in a negative impact on jobs.

A significant number of supply chain and E&P companies have reported they will need to examine redundancies in the next 3–6 months, alongside the use of the government Coronavirus Job Retention Scheme (also referred to as the employee furlough scheme). At the time of writing there are a number of reports of redundancies in the public domain. Although reductions are expected to be seen across all areas of the industry, OGUK expects that the effect on employment within some supply chain sectors will be more severe than others, with those most exposed to projects that have been cancelled likely to see the largest reductions.

Almost one-third of E&P companies and 60 per cent of supply chain companies report having placed employees on furlough. However, more than 40 per cent of E&P companies also note that they may need to make redundancies in the next 3–6 months as business plans are revised, rising to just over half of companies in the case of supply chain companies.

Although there is still a significant degree of uncertainty surrounding how the next 12–18 months will progress, OGUK estimates that the level of direct and indirect jobs supported by the industry could contract by in the region of 25,000–30,000 during this period. The degree of uncertainty around this estimate must be understood. The potential impact will vary depending on the ability of the sector to maintain activity and companies will inevitably make harder cuts if they are not sighted on any future upturn in activity. OGUK will continue to monitor this metric closely.

It is imperative that the government works closely with industry to minimise the impact on employment, these are highly skilled roles which will be needed for years to come. OGUK has proposed a number of measures which could help protect jobs and companies now, and ensure that activity can recover more quickly as the industry emerges from this challenging period.
OGUK has welcomed the initial support packages to assist industries across the UK in managing the disruption caused by COVID-19. However, it is important that the government recognises that it will take the oil and gas industry longer to recover than other parts of the economy. The disruption caused by COVID-19 has been compounded by the rapid slump in commodity prices following the collapse in demand due to lockdown measures around the world. If not addressed, this set of challenges could result in lasting damage to the capabilities of the industry — harming our ability to provide secure and affordable energy now and in the future, as well as denting the prospects of the UK achieving net zero in the most effective and efficient way.

OGUK has proposed a range of mechanisms and levers to both UK and Scottish governments which could help industry overcome the immediate difficulties it is facing and then ensure it is in a position to increase activity levels as it recovers and support the opportunities presented by the energy transition.
Supporting Industry Now

It is imperative that companies who are facing immediate financial distress are able to access support from the government to help overcome short-term cash flow issues. This is crucial in maintaining jobs and capabilities that will be required to meet current and future demand across the energy sector.

Almost 30 per cent of companies who responded to OGUK’s Business Sentiment Survey reported successful access to financial support through one of the government support schemes, while 43 per cent said they were still evaluating whether support would be required and if they would be able to access the schemes. OGUK has noted that some of the mechanisms within the main support schemes hinder their ability to support companies in our industry effectively and has suggested amendments, as well as a proposal for a new industry-specific support mechanism.

Job Retention Scheme
The Job Retention Scheme currently allows companies to furlough staff up to the end of June, however it will take longer than this for activity levels to increase within the oil and gas industry. An extension of the scheme with a defined end date of at least the end of 2020 (rather than a rolling extension) is recommended. This would allow companies to plan resources more effectively and could limit the number of redundancies in the short term. Firm confirmation from the government that oil and gas companies are able to access this scheme is also required, reflecting that the collapse in demand has been driven by COVID-19.

Covid Corporate Financing Facility (CCFF)
Current credit rating requirements are constraining access to the scheme. OGUK recommends that the entrance qualifications should be widened to cover organisations that can demonstrate an improving credit rating that has risen over the last two years to the equivalent of over CCB+. A dedicated analysis and support team should be established to help with the process of assessing the eligibility of businesses.

Coronavirus Business Interruption Loan (CBIL) Scheme
OGUK welcomed the extension of the scheme to include larger companies. However, it is recommended that there should be caps to interest rates and enhanced security from government to reduce company guarantee requirements (especially for smaller companies).

New Proposal — Equity-based finance solution
This scheme would involve business banking or private equity firms investing capital in major supply chain companies backed by the ability to convert this investment into a shareholding. It is proposed that an element of this risk is backed by the government, either in the form of guarantees to the investment firm or via a state owned ‘bad bank’ concept. OGUK are working closely with other trade associations, including the CBI, to further develop this proposal.
The current focus of companies is the health and safety of their employees, alongside ensuring the survival of their businesses. However, it is also important to retain a focus on the medium- and long-term future and the ability to stimulate and support activity during a recovery. Providing much-needed new demand for the supply chain to meet is critical.

The ability to stimulate new demand within the industry will be determined by its international competitiveness and attractiveness for investment. It is vital that the government supports the industry with regards to this. The industry must retain a sector-leading and progressive regulatory, fiscal and policy framework. The essential contribution the industry makes to the UK needs to be recognised in a comprehensive Energy White Paper, the publication of which is still awaited. The industry is also looking forward to engaging with the upcoming review of the strategy on Maximising Economic Recovery.

The industry has made significant progress in recent years to enhance and build on its competitiveness (such as improvements in production and operating efficiency) and OGUK continues to work with members to ensure that these gains are sustained. As part of efforts to increase the resilience of the sector and stimulate demand, OGUK is working with senior industry leaders to explore innovative ways to recover planned 2020 activity as quickly as possible, as well as finding ways to make projects work in the new cost environment. It will be crucial that the industry remains as capable and competitive as possible to attract the investment that is going to be needed to stimulate activity and it is recognised that support from government will be required in this area. OGUK asks that governments commit to working with the industry to develop proposals which support a recovery.

This should focus on a combination of mechanisms to support the execution of barrel-adding activities, alongside facilitating decommissioning work scopes where plans and funding are available. As well as this, proposals to accelerate net-zero incubator projects at pace, where the sector can improve local content (e.g. for CCUS, hydrogen and floating wind), will help provide much-needed new activity to support some of the most hard-pressed areas of the supply chain. OGUK looks forward to opening new dialogue with governments on these proposals.
The industry remains unwavering in its commitment to helping the UK achieve net-zero emissions.

OGUK will shortly be publishing a set of industry-wide targets for the reduction of production-related emissions from the sector. The oil and gas industry also has many of the skills, technologies and capabilities that will be required to advance net-zero solutions for the wider economy (such as CCUS, hydrogen and offshore wind) at the scale required. Ensuring that these resources remain in place is vital, however support for investment in new technology and innovation will also help the industry to increase the contribution that it makes to achieving net zero emissions.

The UK has an opportunity to nurture world-leading expertise in net-zero management, however if investments do not proceed quickly then there is a risk that these opportunities will be lost to other countries. Now is the time for government to work with industry on the development of a sector deal which will accelerate the UK towards a net-zero energy future, affordably, responsibly and at pace. The sector deal should build on the industry’s supply chain strengths to help unlock new decarbonised energy resources, including the development and deployment of CCS and Hydrogen, both on and offshore. This would help provide the framework to kickstart activity in these areas and help transform the industry into a net zero sector by 2050.