

Aligning UK international support for the clean energy transition – consultation response

8 February 2021

OGUK is the leading representative organisation for the UK offshore oil and gas industry. Our membership includes over 400 organisations with an interest in the UK's upstream oil and gas and other energy sectors. As the champions of industry, we work to inform understanding with facts and evidence, engage on a range of key issues and support the broader value and contribution of this industry in a transitioning energy landscape. From exploration through to decommissioning and located across the length and breadth of the UK, our members are critical to safely providing security of energy supply, while supporting around 270,000 jobs and contributing billions of pounds to the economy each year.

Based on member feedback our key requests are:

1. Sustained UK government overseas backing (funding and promotion) for all activities carried out in support of emissions reductions across the full decarbonisation spectrum;
2. An opportunity to work with the Government to clearly define the extent and practical application of any changes to this policy in a way that can enhance the UK's net zero leadership ambitions; and
3. That all businesses, particularly SMEs, be given appropriate time to adapt to any shift in policy.

Please note that our members are very concerned that the any significant change in UK Government policy could undermine the UK's oil and gas industry and its energy supply chain internationally and nationally and as a result:

1. Undermine the UK's climate leadership;
2. Compromise the UK's current and future export capability;
3. Weaken an already fragile domestic supply chain; and
4. Damage our world-leading universities and skilled workforce.

Opening statement

The oil and gas industry is one of the UK's most successful export sectors, with the latest export statistics showing it to be worth £11.5 billion to the UK economy. Data gathered from a representative set of OGUK members in 2020 estimated that 42% of companies generate more than half of their revenue from non-UK business operations and that only 10% have no non-UK revenue generation. The data also showed that 90% of companies were aiming to increase their international sales throughout 2020 and 2021.

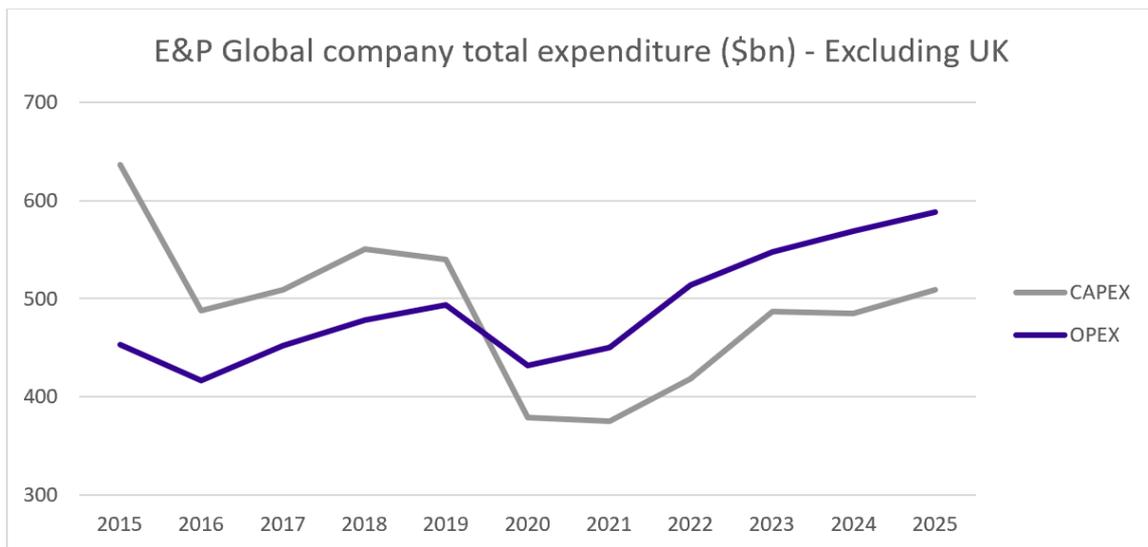
We were pleased that the UK Government's Energy White Paper recognises that the oil and gas industry plays a *"critical role in maintaining the country's energy security"* and is a *"major contributor to our economy"*. The paper also recognises the sector's role in the energy transition: *"..there is great potential for the sector to play an important part in the energy transition and retain vital skills across key regional hubs around the country."* Given this recognition, we trust that Ministers will understand our concerns about the impact that this policy change will have on the industry, in particular our ability to export and maintain the value the sector offers to the UK economy. With the right support this

sector’s role in the energy transition can also help reduce our trade deficit and maximise the benefit of new trade deals post-Brexit.

UKEF funding may have been the headline in the announcement, but many of our leading oil field goods and services companies, in particular SME companies, are very concerned about losing the irreplaceable UK Government support of trade missions overseas and access to market intelligence from the global network of DIT and FCO officials. These companies are ideally placed to support the decarbonisation of supply and the energy transition both in the UK and overseas. Our consultation response also provides 8 case study examples illustrating this capability that sets the stage for the UK’s supply chain to play a pivotal role in our journey to net zero.

Export potential

Other countries are still seeking to explore and produce their natural oil and gas resources, with Rystad estimating that global expenditure through all areas of the supply chain from oil and gas producers between 2021-25 could be up to \$5 trillion.



(Source: Rystad Energy)

This overseas activity will not stop as a result of UK policy change and indeed other nations continue to actively support their supply chains in servicing this activity, recognising as they do the benefits it brings to their supply chain and the economies that they contribute to. For example in Guyana at present GDP per person is around \$7,000, which the IMF estimate will increase to around \$18,000 per head by 2025 as they realise their significant oil and gas resources. A number of West African nations are using European operators and their supply chains, backed by their governments’ support to develop West African oil and gas assets. The only limit on this support is a contractually mandated minimum percentage of local content. UK companies are well placed to support this type of activity efficiently and safely by using new technology also to deliver reduced emissions. There is no

guarantee that non-UK suppliers that support this type of activity overseas will emphasis safe emissions reduction and the broader energy transition as their UK counter-parts are focused on doing.

A fragile supply chain

Between 2015-19, UK OFS exports averaged almost £11.5bn (\$15.6bn) per year, which we estimate represents 1.55% of international spend (market share). If this market share remains constant, then UK OFS export revenue between 2021-25 could be some £60bn (\$77bn) in total – or £12bn per year.

The removal of UK export support will act to damage the competitiveness of UK exports at a time when international competition is increasing due to current market conditions.

Universities and skills

Our UK universities are world-leading and attract talent from around the globe to study oil and gas and increasingly energy transition related degrees, often supported by DIT trade missions. Any policy shift will undermine their ability to attract international students on a sustained basis.

We also note the potential impact on our skilled workforce, itself an export of which the UK should be very proud. We have highly skilled workers who study, train and develop on the UK Continental Shelf (UKCS) before moving on to other international oil and gas hubs. One significant oil and gas services company, started in Scotland in the 1980s, now has an engineering and, manufacturing management presence in over 25 cities across the world.

Climate leadership

Over the past 12 months, UK overseas investors in this sector have increasingly announced their intention to become net-zero companies and have begun to outline their strategy to do so. These companies are transitioning to net-zero and, while their investment in oil and gas will diminish, this investment will continue at lower levels until they no longer require the revenues to fund their new low-carbon activities. If UK Government support for these oil and gas investments is taken away, it risks harming the UK's relationship with several governments that rely heavily on their oil and gas interests and will make it much more difficult for these companies to invest in new low-carbon activities in these countries. Where UK investors withdraw, this is unlikely to lead to the foreign government stopping oil and gas production; it is likely instead to lead to the entry of other companies that may not have similar environmental standards or the ambition of becoming net-zero companies by 2050.

It is critical that any UK Government policy change does not result in lost opportunities for the UK supply chain in terms of our contribution to decarbonisation of supply or the energy transition. We therefore request an opportunity to work with government to clearly define the extent and practical application of any changes to this policy in a way that can enhance the UK's net zero leadership ambitions. The UK Government announcement has been followed by a similar announcement from the Scottish Government, which uses the UK network of diplomatic missions to support businesses overseas. It will be important that both Governments are aligned in terms of what activity they will continue to finance and promote to avoid any barriers to this support.

A fair energy transition needs to be delivered with a transparent and managed process to ensure no unintended consequences. It is important that any changes and the timing support this principle. Using the North Sea as an example, we have an opportunity to demonstrate to the world how a fair transition can be managed. Namely protecting essential skills and capabilities in a mature oil and gas basin to underpin the future industries of CCS and hydrogen at home, providing clean energy and supporting hundreds of thousands of jobs in communities across the UK. Not only can these capabilities be exported, but the UK Government can also then demonstrate climate leadership by showing other basins how to decarbonise their supply and manage their own fair transitions.

Consultation Question 1. What do you think the impacts of the energy transition will be on your business and how can these impacts be mitigated?

The oil and gas industry is committed to playing its part in achieving net zero. In 2019, the oil and gas industry was one of the first industrial sectors to publish a comprehensive plan to achieve the UK’s net zero target, with our Roadmap 2035. Last summer OGUK delivered a key part of this roadmap by publishing a report committing industry to halving production emissions on the UK Continental Shelf (UKCS) by 2030, rising to 90% by 2040 en-route to being net zero by 2050. The industry remains committed to this journey, despite being hit by a “triple whammy” of COVID-19, low oil price and low gas prices.



In 2018, the oil and gas supply chain was generating around 27% of revenue from non-E&P revenue streams and recent OGUK members surveys suggest that as many as half of our supply chain companies already provide goods and services to other sectors. Our members, in particular our world class supply chain, are at the heart of the new CCS and hydrogen projects. These companies are driving project success through their expertise founded in traditional oil and gas production but transferring to deliver clean and sustainable energy for the UK.

Oil and gas supply chain companies are already delivering world class decarbonisation technologies

Examples include **Wood** who has successfully broadened its business from a traditional oilfield services provider into an engineering and consultancy company operating across energy and the built environment. Wood is involved in over 30GW of solar projects and has supported 20 per cent of the total installed global wind capacity. Wood continues to offer world-class decarbonisation capabilities completing more than 130 CCS studies in the last 30 years and retains a market-leading position in hydrogen having installed over 120 hydrogen units globally. Wood have achieved this whilst continuing to support the oil and gas sector supporting the UK's energy needs.

Ecosse IP is a technology-based solutions company that has developed lifting technologies initially for the oil and gas sector but now being utilised in floating wind and salvage industries illustrating the important, transferable skills of the sector at all levels.

Petrofac, a global services company, also continue to demonstrate the relevance and transferability of these skills on the Acorn Project – Scotland's ambitious CCS and hydrogen programmes – where it is supporting the project team to establish the same best-practice project management and reporting tools that would be deployed on any major CAPEX project. Petrofac's support role on Acorn is one in a recent succession of exciting projects that demonstrate an active expansion of the group's new and renewable energy portfolio, which focuses on offshore wind, CCS, hydrogen and solar.

Baker Hughes has a broad, integrated suite of CCUS solutions and a decades-long track record in hydrogen. Its CCUS services include pre-FEED and FEED consultation and project design; capture and purification; fit-for-purpose CO₂ compression technology; well design and construction for storage; and integrity, monitoring, and site stewardship services. Baker Hughes works on some of the largest offshore CCUS projects in the world, including the Snøhvit CCUS project in the North Sea and the Gorgon CCUS project in Australia, and more than two dozen CO₂ sequestration projects onshore for enhanced oil recovery, power and industrial CCUS applications. One hundred and eighty Baker Hughes CO₂ processing/compression systems are installed worldwide. In addition, Baker Hughes is investing in breakthrough technology to make carbon capture more flexible in lower cost, acquiring a CCUS start-up called Compact Carbon Capture in 2020 to incubate a significantly smaller, modular and less expensive capture process for offshore and industrial applications. Baker Hughes has also provided hydrogen solutions since the 1960s. More than 2000 Baker Hughes hydrogen compressors are in service today, and Baker Hughes recently tested the world's first hydrogen blend turbine for gas networks. This work paves the way to implement the adoption of hydrogen blended with natural gas into current infrastructure, though our turbines have the capacity to burn up to 100% hydrogen.

The **TEXO** group of companies now offers multi-disciplined services in the fields of engineering & fabrication, workplace solutions, asset integrity, land & arial surveys, port services and recruitment on a wide range of projects across a varied client base. In addition to an active oil and gas portfolio of customers, in 2019 TEXO Fabrication were contracted by Orbital Marine Power to build the O2 Tidal Turbine, the most powerful tidal turbine in the world, in our fabrication yard at the port of Dundee. TEXO's Workplace Solutions company were contracted to fit out the Moray East and Triton Knoll windfarm modules. TEXO Port Services also has a strong presence in the deepwater Port of Blyth that has the capacity to accommodate a broad range of major projects. TEXO's skilled and agile workforce are well placed for growth across other industries within the UK and overseas, as well as supporting the needs of the oil and gas sector.

Exceed is a well delivery company that in addition to supporting oil and gas activity, optimises and offsets client's CO2 footprint during operations. Exceed will be an integral player in energy transition projects including; geothermal wells, CCS, Blue Hydrogen, the recycling and reuse of existing wells and infrastructure so that they can be re-purposed for gas storage or blended hydrogen and finally the decommissioning of oil and gas assets.

SNF are at the forefront of Enhanced Oil Recovery. The added value in applying EOR technology is that the consequences of doing so have a net lowering of energy demand and emissions, both supportive of the wider net zero targets.

First and foremost, our supply chain continues to support the UK's primary energy needs and hundreds of thousands of jobs in communities across the UK.

A fair transition to net zero is essential if the UK Government wants to protect jobs, support communities, ensure energy security and enhance the competitive advantage of our supply chain. Together with the UK Government, OGUK is developing a North Sea Transition Deal (NSTD), which can be a catalyst to delivering a green recovery, with its focus on jobs and the supply chain, net zero and security of energy supply. This deal will be key to unlocking the full potential of the sector in terms of our contribution to net zero, as well as sustaining and creating highly skilled jobs across the UK, but it needs to be delivered at pace. We believe a deal can be agreed during the lifetime of this Parliament, but it will require significant action and investment from both industry and Government.

Consultation Question 2. What activities would strengthen the supply chain's ability to transition into new energy technologies and how could these be delivered?

The NSTD proposes steps to strengthen our domestic supply chain, supporting it to transition into new energy technologies to be an all-energy supply chain at home and abroad.

Key proposed actions for the NSTD

Overall Deal	Proposed industry action / Offer	Government enablement / Request
	Industry will transition at pace and demonstrate global leadership as to how the sector can contribute to a net-zero future	Government to create an internationally competitive and level playing field to encourage innovation and sustained investment for a net-zero future
Supply decarbonisation	<ul style="list-style-type: none"> ✓ 10% production emissions reduction by 2025 relative to 2018 ✓ 25% production emissions reduction by 2027 relative to 2018 ✓ 50% production emissions reduction by 2030 relative to 2018 	<ul style="list-style-type: none"> ✓ Provide a competitive, economy-wide carbon price regime, through the UK ETS which creates a level playing field for low emission domestic oil and gas production and imports ✓ Establish a long-term capital grant fund from UK ETS auction revenues for offshore electrification projects available from early 2023 to support decarbonisation ✓ Enable oil and gas installations to import electricity under 'private wire' or other arrangements by 2022 that is exempt from network charges and other levies and competitively priced
Carbon Capture & Storage	<ul style="list-style-type: none"> ✓ Invest in building the Transport & Storage (T&S) infrastructure to support at least 10Mt/y of carbon capture by 2030 	<ul style="list-style-type: none"> ✓ Implement the £1bn CCUS Infrastructure Fund (CIF) to support initial development of three T&S locations serving the four initial industrial clusters ✓ Establish a long-term economic model for CCS infrastructure including an independent regulatory body with appropriately empowered to support investment ✓ Implement the proposed Industrial Carbon Capture (ICC) and Dispatchable Power Agreements (DPA) to create a secure market for CO₂ T&S infrastructure
Hydrogen	<ul style="list-style-type: none"> ✓ Deliver production capacity for 50TWh of hydrogen by 2030 	<ul style="list-style-type: none"> ✓ Define and deploy a Contract for Difference (CFD) scheme by the end of 2021 to create an economically viable hydrogen market to attract investment ✓ Establish ambitious demand side measures, including allowing for blending in the NTS from 2023, to create the long-term conditions required for hydrogen production investment
Supply chain transformation	<ul style="list-style-type: none"> ✓ Deliver 50% local content on project design, installation, integration and lifecycle operations ✓ Provide a UK Energy Supply Chain Leader to champion the sector 	<ul style="list-style-type: none"> ✓ Support UK energy supply chain transformation and capability development into new energies domestically and internationally with appropriate funding ✓ Support the UK Energy Supply Chain Leader to champion the sector
People & Skills	<ul style="list-style-type: none"> ✓ Create 80,000 new jobs which are part of a diverse, high-value energy community 	<ul style="list-style-type: none"> ✓ Champion the sector and the role of the oil and gas workforce in the energy transition

It is important that industry and Government understands and build on the key strengths, that allow UK companies to demonstrate a track record of excellence in supporting the transition from oil and gas to decarbonised energy solutions like CCS and hydrogen in the UK. This capability can then be exported overseas to help the oil and gas producing basins that are not as mature as the UKCS, decarbonise effectively.

For example, the UK oil and gas sector's ambitious emission reductions targets will help the UK supply chain develop world leading supply decarbonisation capabilities at a pace faster than most other mature basins. This expertise can be exported to other mature basins around the world, supporting global decarbonisation of supply.

Consultation Question 3. Where are the key capability gaps for the UK supply chain in taking advantage of the economic opportunities of the energy transition?

Capability mapping to understand the gaps is a key barrier that is to be addressed by the NSTD, which includes proposals for both Government and Industry to unlock the full potential of the sector in terms of our contribution to net zero with specific focus on our supply chain.

The proposal with Government proposes that:

The sector will maintain and refine a forward view of global projects and leverage the supply chain review to determine opportunities for the UK. This forward view should integrate information from other energy sectors such as renewables, focusing on alignment, collaboration, and integration opportunities.

Government will support the sector's supply chain review with £1 million of funding to identify the UK's capability to deliver technology and services across both energy transition and decommissioning projects.

The UK is not alone in investing in the energy transition. In 2019, Norway approved a £1.8 billion CCS project and its 2021 Budget includes \$10.75 billion for hydrogen infrastructure. In 2020, Germany announced it would spend €9 billion on hydrogen and Denmark announced E30 million in its first CCS project.

If the UK wants to capitalise on the \$68 trillion global market for sustainable energy development, we need to move at pace before the first mover advantage is taken by another energy nation.

OGUK believes that the UK is uniquely positioned to be a global leader in energy transition thanks to the expertise of its offshore oil and gas supply chain. But this potential to accelerate the transition of the UK to net zero and secure thousands of high value jobs around the UK is not guaranteed, requiring the robust support of both government and industry. As the energy transition gathers pace, other Governments around the world are also keen to invest in creating a competitive advantage for their own supply chain companies, securing operations in their jurisdictions and in doing so offering support to make investment decisions easier for companies to locate there, a good example of this is Germany in relation to green hydrogen.

Government support for the UK supply chain should be directed at those areas where the UK can gain a competitive advantage. For example, the NSTD includes a proposal for a fund to support companies and consortia developing low carbon capabilities and solutions, which are capable of unlocking opportunities across the energy transition.

The UK wind sector is a celebrated success story for clean energy, but the UK supply chain missed out on the considerable market opportunities that went to other nations who invested early in a nascent sector. The commercialisation of floating wind has also been hampered by misalignment between developers and Government - developers argue that capacity is needed to reduce the cost of floating wind and Governments counter that cost declines are needed to allocate generation capacity to floating wind (Closing the Gap Report, OGTC 2020). We must not repeat these mistakes for CCS and hydrogen.

Early investment from the government will secure UK jobs, create export opportunities and deliver net zero. Intervention will include instances where companies want to diversify into new areas of activity yet struggle to do so as the perceived financial or technical risks would otherwise deter innovation and diversification.

Consultation Question 4. What do you consider to be the main export markets and opportunities for new energy technologies for the UK supply chain?

In order to secure export market opportunities for new energy technologies we need to build on our leading position in current technology solutions for emissions reductions across the full supply decarbonisation spectrum.

The OGTC's Closing the Gap report, published in 2020 predicted that creating an integrated energy system on the UKCS will require £430 billion of investment. This represents a significant opportunity for our supply chain, as OGTC forecast that over the next 15 years the investment profile will be dominated by oil and gas and offshore wind, each requiring £75 billion in capital investment, around half of which is expected to be spent in the UK.

New technologies will be required to enable the UK to reach net-zero by 2050. Innovation contributes to emissions reduction for existing oil and gas infrastructure, as well as for new facilities, including critical areas such as platform electrification, enabling reduction and elimination of flaring and venting, and in pipeline integrity. We also see this in the service sector, where companies like PlanSea are using new technologies like AI to increase efficiency and collaboration in the marine logistics sector, reducing overall vessel sailing time and emissions. The UK can be a global leader in this important contribution to emissions reductions.

Innovation is also required to enable carbon capture and storage at scale, from geological identification of suitable prospects, through to effective operational monitoring regimes to ensure their physical integrity.

All of the above will be required over time in the oil and gas sectors of other countries, as they seek to reduce the carbon intensity of their energy sectors, which then presents an export opportunity for UK industry. The importance of emission reduction technologies, as well as zero-emission technologies in reaching net-zero must not be understated.

At the same time, growth in the hydrogen economy will require improvements in technologies used to convert natural gas to hydrogen while capturing any carbon dioxide emitted – a critical step in enabling use of hydrogen at scale. The OGTC believe that Europe's hydrogen market alone is expected to grow to £105bn by 2050. The Government of the Netherlands has already recognised the UK's hydrogen potential in its concept for a European Hydrogen Backbone shown in below, with a clear connection to infrastructure in the UK, through an import connection by 2045.



Wind Europe; Our Energy, Our Future; Nov 2019

All of the above represent opportunities for UK companies to develop locally, and export internationally, by 2050 supporting as many as 232,000 direct and indirect jobs, attracting cumulative investment of £416bn and delivering a total economic impact of up to £125bn within the UK alone. Without access to export financing, UK companies will be restricted in their ability to compete on a level playing field with their international competitors – hampering the UK’s competitive edge and raising the prospect that over time, the UK will become an importer in this new industrial area, rather than leading the world as an exporting nation. The NSTD offers interim measures and steps to take us to 2030. If we are going to realise the opportunities of the global energy transition market and achieve our own statutory net zero target, the deal needs to be progressed at pace.

The UK Government has an opportunity with its presidency of the G7 and in hosting COP 26 this year, to demonstrate real climate leadership by promoting the UK’s capability in energy transition to the world. Countries like Guyana and Brazil present our supply chain with opportunities to export technology to support the oil and gas industry by incorporating clean technology and decarbonisation. The IEA’s 2020 Global Energy Outlook estimates global energy investment at \$68 trillion, of which \$11.547 trillion is associated with oil and gas projects. This is a major opportunity for the UK supply chain.

Other potential new markets include traditional hydrocarbon economies like the UAE, which aims to be a major low-cost blue hydrogen producer and Saudi Arabia which has “ambitious plans” to become the largest supplier of hydrogen in the world.

There is also a significant economic prize at stake for the UK in terms of exporting our energy transition expertise. The IEA assume that over the next 20 years, \$68 trillion of investment across the whole energy landscape will be required to propel the energy transition and deliver global climate targets. Rystad Energy estimates that around \$35 billion of expenditure will be unlocked in European CCUS projects between 2020-35. Finally, an estimated 30 GW of green hydrogen capacity is expected to come on stream by 2035, which is anticipated to unlock \$400 billion global investment in hydrogen technology.

Consultation Question 5. What are the barriers to the UK becoming a global leader in the energy transition?

The UK Government plays a vital role in boosting investor confidence by showing clear support for the oil & gas industry’s role in delivering cleaner energy (decarbonising supply), the first step on the road to net zero, at home and abroad. It is important that the UK Government demonstrates how it can manage a fair transition to net zero, protecting jobs and energy security if it is to be a global leader in the energy transition. The Energy White Paper published in December included a welcome recognition of this sector’s current role “...the UK’s domestic oil and gas industry has a critical role in maintaining the country’s energy security and is a major contributor to our economy”, but also its potential in underpinning the energy transition. It is critical that we preserve the infrastructure and expertise that will underpin the new industries of CCS and hydrogen so that we can demonstrate excellence at home to export overseas.

A significant barrier could be a lack of support, confidence and investment in the current UK industry nationally and internationally, by the UK Government.

Technology and export leadership in the energy transition requires domestic innovation, tried and tested within the UK energy sector, combined with a firm, long term commitment from government to support export growth. The NSTD sets out how the UK can capitalise on its highly advanced supply chain to enable diversification into the new markets created by the energy transition. Stable, long term support from government is required to support the significant investment required in these areas, including support for their marketing and sale overseas – in direct support of our shared net-zero ambitions, while also benefiting directly UK’s energy industries.

The energy transition depends on innovation to succeed. A global competition is already underway to secure the intellectual property foundations on which future innovation depends, and it is critical that UK companies continue to innovate and develop so that the UK benefits as an exporter of the future products and services that are created, rather than licencing and importing the products of innovations made overseas.

Another barrier could be a constrained view of what constitutes the energy transition. Transition is a process and the UK can demonstrate real climate leadership by supporting countries on the full decarbonisation journey – from coal and open fires to oil and gas and then on to the new industries of the future. To refuse support to countries moving from coal to gas, for example, could hamper international decarbonisation efforts, which would be frustrating given the UK’s proven track record in transitioning away from coal to natural gas, which of course was the main driver for the rapid reductions in UK emissions.

Finally, the OGUK 2020 Collaboration report, published in January, revealed that poor adherence to industry best practice Supply Chain Principles is a barrier to collaboration, and therefore could prevent the industry becoming global leaders in transformational change. Current traditional financial and business models, as well as complicated contracting processes could also slow progress.

Consultation Question 6. What activities are needed by government and the industry to support UK clean energy businesses and those transitioning from oil and gas in export markets?

In the Energy White Paper, the UK Government has recognised the export potential of our world class supply chain, *“innovative provider[s] of oil field services and capability across all sub-sectors, including marine and sub-sea operations”*. In 2018, our supply chain contributed £26 billion to the UK economy, including £11.5 billion in exports and OGUK shares the UK Government’s ambition to increase the export of these services to new markets. This will support the global effort to decarbonise.

The NSTD includes proposals for both Government and Industry to unlock the full potential of the sector in terms of our contribution to net zero with specific focus on our supply chain. We believe that the UK is uniquely positioned to be a global leader in energy transition thanks to the expertise of its offshore oil and gas supply chain. But, this potential to accelerate the transition of the UK to net zero and secure thousands of high value jobs around the UK is not guaranteed, requiring the coherent support of both government and industry. As the energy transition gathers pace, other

Governments around the world are also keen to invest in and implement policies that create a competitive advantage for their own supply chain companies, securing operations in their jurisdictions and in doing so offering support to make investment decisions easier for companies to settle there. Since the supply chain is well established in the UK, the Government support required is comparatively smaller and should be directed at those areas where the UK has identified that it needs to gain a competitive advantage.

Early intervention from the government will secure UK jobs, create export opportunities and deliver net zero. This intervention can include instances where companies want to diversify into new areas of activity yet struggle to do so as the perceived financial or technical risks would otherwise deter innovation and diversification. As above, we believe that the full decarbonisation journey should be supported, including helping other countries move away from coal to gas.

As explained above, the NSTD includes offers from industry and proposals for Government. To promote exports specifically, the NSTD offers and proposes:

Capability mapping:

The sector will maintain and refine a forward view of global projects and leverage the supply chain review to determine opportunities for the UK. This forward view should integrate information from other energy sectors such as renewables, focusing on alignment, collaboration, and integration opportunities.

Government will support the sector's supply chain review with £1 million of funding to identify the UK's capability to deliver technology and services across both energy transition and decommissioning projects.

A supply chain champion

The appointment of a supply chain champion who would enable the coordination of activities across sectors and between DIT, SDI, UK Export Finance and other exporting bodies to support the UK supply chain, guided by the UK Energy White Paper and emerging inward investment agreements.

Promotion of the UK energy supply chain

Government will use its resources and networks to promote the capabilities of the UK's energy supply chain in international markets, coupled with support from UK Export Finance, including considerations within future trade deals.

It is therefore absolutely critical that Government is clear how any necessary exemptions may work in practice to ensure that companies who service oil and gas projects and energy transition projects can continue to access this Government support for eligible projects. For example, an HSE exemption is proposed. Will companies like Blaze, who provide fire safety solutions to all sectors, still be supported by the UK Government in any bids for overseas oil and gas projects?

Global Underwater Hub

Finally, in terms of capitalising on the UK's subsea excellence, the deal proposes that the Government provide £13 million over 10 years funding support for the Global Underwater Hub, matched by £37 million from industry.

Consultation Question 7. In what parts of the supply chain should government focus its export support for UK clean energy businesses and those transitioning from oil and gas?

We believe that the full decarbonisation journey should be supported by the UK Government – this includes supporting countries to move from coal to natural gas and from natural gas to clean energy sources.

It is important that the UK Government has a comprehensive understanding of our supply chain’s capability to ensure that support is properly targeted. Supply chain mapping is one proposal within the NSTD.

Furthermore, we urge the UK Government to consider bespoke support for our vibrant and innovative SME community, which has requested specific support to reskill and advice on tendering for new markets and sectors, as well as provisions to mitigate the long-term business effects of COVID.

Aberdeen-based SME EC-OG, founded with the remit of creating renewable power products for powering critical subsea hydrocarbon production systems, is now providing battery storage systems to support clean energy systems for underwater autonomy in the offshore wind, CCUS, aquaculture and defence sectors. They believe Government support has been critical in the success of EC-OG, with trade missions, market intelligence and business development support instrumental in the company’s diversification from its core oil and gas business.

Many of the SMEs’ technical services and capabilities provide critical support to drive efficiencies for the ever competitive and mature oil and gas industry, but more importantly will help the new energy industries operate efficiently from the very beginning. For example, the TUV SUD National Engineering Laboratory, having provided world-leading flow measurement expertise to the global oil and gas industry for 30 years, is now engaged in a number of clean fuels research projects, including a brand new hydrogen flow testing facility, and building the first standard for hydrogen refuelling stations. They say that their key customers are established oil and gas players who are now investing in the energy transition.

Finally, the UK is forecast to become the largest decommissioning market globally by 2030, spending around £1.5 billion a year. With the right support, domestic excellence in the safe, environmentally sound and cost-effective decommissioning could translate into a significant share of the predicted £270 billion future global decommissioning market. An OGUK member specialising in well decommissioning also noted that decommissioning is a key part of the energy transition and for them, the global market represents a major export opportunity as UK companies develop the expertise to safely and securely plug and abandon wells in an environmentally sensitive and cost effective manner.

Our members have also raised the potential reputational damage that this policy shift will do to companies who service the oil and gas sector if they are seen as not welcome in UK embassies. This could impact their ability to move into new sectors. Our SME community is particularly concerned about this and losing out to SMEs in other countries like China, Japan, the Netherlands, Brazil and

the Middle East where their export potential across all energy is being supported by their Governments.

For example, Benchmark is a UK SME based in Surrey with only three staff and consultants established in 1999 servicing a very small specialist niche in geophysical operations involved in energy exploration and realisation.

Although a very small company, they are part of what is global recognition for UK expertise that constitutes well in excess of 50% of the global provider market in this niche. Benchmark believes that the UK has a respect and prestige that can, and should be maintained and that by withdrawing from the global market the UK Government will send so many bad signals that the damage will probably be irreversible.

Consultation Question 8. Where can government add the most value internationally in supporting UK clean energy businesses and those transitioning from oil and gas?

In addition to the direct support for clean energy businesses, it is important not to forget that the UK will develop world leading expertise in decarbonisation of supply thanks to our ambitious emissions reduction targets. There are mature basins around the world where operators are struggling to attract the necessary investment to enhance production and reduce emissions from ageing infrastructure. UKEF funding in this area could help our supply chain support the global decarbonisation of supply.

In terms of direct support, we would ask that Government works with our members to understand how the existing UKEF funding model can best evolve to support companies of all sizes who can play a role in exporting clean energy. Our members note the importance not just of funding, but the key role the UK Government plays in introducing companies to new markets and opportunities via its vast international diplomatic network. There is a significant opportunity in terms of a global market in CCUS and hydrogen. The IEA predicts that the future global CCUS market could be worth over £100 billion a year by 2050 and the Hydrogen Council believe the global hydrogen and hydrogen technology market could be worth \$2.5 trillion a year by 2050.

Consultation Question 9: If you are a relevant business, what would be the impacts of these different timing options? If you are an SME, how would the timing of these different options affect you?

Due to the triple whammy of covid-19 and record low oil and gas prices in 2020, a significant amount of investment activity has been deferred and capital projects were cancelled or postponed into 2021 and beyond. OGUK estimated this translated into a reduction of 20-30 percent of Capex and 10-20 percent of Opex spend in 2020. In April we predicted that if the current business conditions prevailed, around 30,000 jobs could be lost.

An OGUK member that is an SME delivering engineering services estimated that the impact of withdrawing UK Government support would reduce their potential market in one of the two overseas markets they work by around 50%.

Another SME member noted that many SMEs have secured private equity or other stakeholder support to implement a 3 to 5 year survival or growth strategy, believing that this type of major change to Government policy that begins within this timeframe could have a “catastrophic” impact on SMEs.

Given this context, regardless of size of business, an immediate change in Government policy would have a significant negative impact. The SME community in particular is already having to adapt to major changes in terms of the end of the Transition Period post Brexit, for example a changed Border Operating Model. Immediately withdrawing all UK Government support for these companies overseas would be a significant blow and a managed transition is essential.

For example, Fennex, is a new digital tech SME, with a team that has 20 years of oil and gas experience and is now looking to grow the business by taking innovative digital solutions including AI and Machine Learning (ML) from the oil and gas industry into CCS and the offshore wind industry in the UK and overseas. They have relied on Government support (specifically Scottish Enterprise and Scottish Development International promotional and business support) to increase their export footprint. They believe that withdrawing support right now could threaten the future of the whole business given the current business conditions.

Consultation Question 10 & 11: Do you see variable impacts on different parts of the supply chain? If so, what are these? Would these options affect players of different scale in the supply chain?

OGUK believes that different parts of the supply chain will be affected by different parts of the policy change. Smaller operators and larger supply chain companies have historically accessed UKEF funding, while our SME community has benefited more from the network of Government embassies, trade missions and business contacts around the world.

Consultation Question 12. Do you see any possible geographical impacts of different timing options for the policy shift?

Our world class supply chain stretches across the UK from Shetland to Southampton, with hubs in Aberdeen and Aberdeenshire, the Scottish Highlands and Islands, North East England, North West England and the East of England. Any precipitous change in policy would hit a supply chain that is already reeling from covid-19 and low oil and gas prices and therefore could be particularly damaging in these communities.

Consultation Question 13. How could these impacts be mitigated, and how would different timings affect the ability to do so?

There is a tight list of exemptions that has been shared as part of the consultation. It would be helpful to share more information about the activities that would be supported and the practical operation of this policy shift. For example, how will the Government ensure companies who deliver both oil and gas projects and new energy projects are not penalised by this shift in Government policy? How much of the decommissioning process will be covered by an exemption?

In terms of timings, an SME company noted that in addition to the promotional and networking support, market insights, including cultural insights were critical for the SME community. Without access to this Government insight, this member noted that SMEs could face having to contract in investment advisors, which could result in them spending more money and resources entering a new market than they could win in the short to medium term, which would not be an attractive proposition for investors.

Finally, the UK Government announcement has been followed by a similar announcement from the Scottish Government, which uses the UK network of embassies to support businesses overseas. It will be important that both Governments are aligned in terms of what activity they will continue to promote to avoid any barriers to this support.

Consultation Question 14: How do these timings impact on your own transition plans? Is there anything that you would adjust in the proposed approach to support your transition to the fullest degree possible?

n/a

Consultation Question 15: If you are a member of a civil society or non-governmental organisation, what would be the impacts of these different timing options?

As explained above, the timing of any significant policy change is key. An immediate change of policy would be devastating for those organisations who rely on UK Government support. We have requested more information about how any necessary exemptions would work in practice and the impact on the devolved nations, but also further information about the projects within oil and gas likely to be eligible for any exemptions in a way that can enhance this industry's contribution to achieving the UK's net zero leadership ambitions.

An immediate shift in policy will not give the time to businesses, especially SMEs, to manage this change. This is a sector still feeling the impact of the triple whammy of covid-19 and record low oil and gas prices. Investment has fallen away and we believe up to 30,000 jobs could be at risk. It is imperative that the UK Government allows adequate time for businesses to adapt to this policy shift and for Government to provide more detail about how any exemptions will operate in practice.

What are the different potential impacts of these options on climate leadership, domestically and globally?

If the UK is to achieve a fair transition to net zero, changes must be managed and time allowed for businesses to adapt. Otherwise, we risk losing the essential capabilities and expertise that we have in our domestic supply chain to underpin the new industries of CCS and hydrogen.

The UK has an opportunity to demonstrate that it is possible to manage the transition to net zero in such a way that supports the economy and preserves the hundreds of thousands of jobs supported already by oil and gas in communities across the UK.

Ends.