NORTH SEA OIL & GAS

Unlocking potential

OEUK OFFSHORE ENERGIES UK

Delivering energy security, securing jobs, anchoring the supply chain, reducing emissions

Unlocking potential

Our industry is essential for the economic and environmental prosperity of our country. Our brilliant, skilled people work tirelessly to produce the energy from off the coast of Britain that powers not just our homes, transport and industry, but the everyday products we need to live well.

£20 bn

In 2022/23 alone we will add at least £20bn to the UK economy.

We are proud to make a huge contribution. In 2022/23 alone we will add over £20bn to the UK economy. We provide over 200,000 good, skilled jobs across the length and breadth of the UK. We provide secure and reliable energy to millions.

As we build that future there is no simple choice between oil and gas on the one hand and renewables on the other. The reality is that to keep the lights on and grow our economy, we need both. By the mid 2030s, oil and gas will still provide for 50% of our energy needs.

We are not standing still. Our industry includes those that are expanding into renewables, while the homegrown expertise of our people is driving ever cleaner energy production. We are committed to a sustainable future.

By investing in homegrown production, we avoid costlier, less secure and higher carbon footprint imports while supporting the infrastructure we need to make cleaner, more affordable energy in the UK, for the UK.

We have built an industry capable of creating a future built on clean energy. The UK is in a global race for the investment to make that future a reality and it is critical that it wins. Put simply, enabling our members to continue investing in the UK is essential both to the long-term economic health of our country and to the planet.

Areas of focus

Economic contribution

We are proud to make a huge contribution. In 2022/23 alone we will add over £20bn to the UK economy.

Since the turn of the millennium, we have paid £150bn in production taxes. That's equivalent to what the Government will spend this year on pensions and education combined.

2022 Gross Value Added (GVA) of £20bn – equal to nearly 1.5% of total UK GVA.

People & industry

We support over 200,000 good, skilled jobs across the length and breadth of the UK.

We provide 90,000 jobs in Scotland.

The industry expertise and infrastructure we have built up will be needed to support the expansion into clean energy.

From global powerhouses to emerging start-ups, from producers to supply chain companies, the OEUK members meeting the UK's energy needs today will be the same companies that deliver our renewable energy needs tomorrow.

Energy from oil and gas

The industry is committed to delivering Net Zero by 2050, but alongside expanding into cleaner energy sources like wind and hydrogen, the UK will continue to need oil and gas.

The Climate Change Committee outline that oil and gas will meet 50% of the UK's energy needs in the mid 2030s.

In 2050, the Climate Change Committee outline that oil and gas will still provide 22% of the UK's energy needs.

40% of the UK's electricity comes today from gas-fired power stations.

In 2022, domestic gas production met 44% of the UK's needs. This reduced our dependence on less-environmentally friendly imports and played a part in inhibiting further price increases.

Investing in clean energy

We have reduced our own impact on the environment by 20% since 2018.

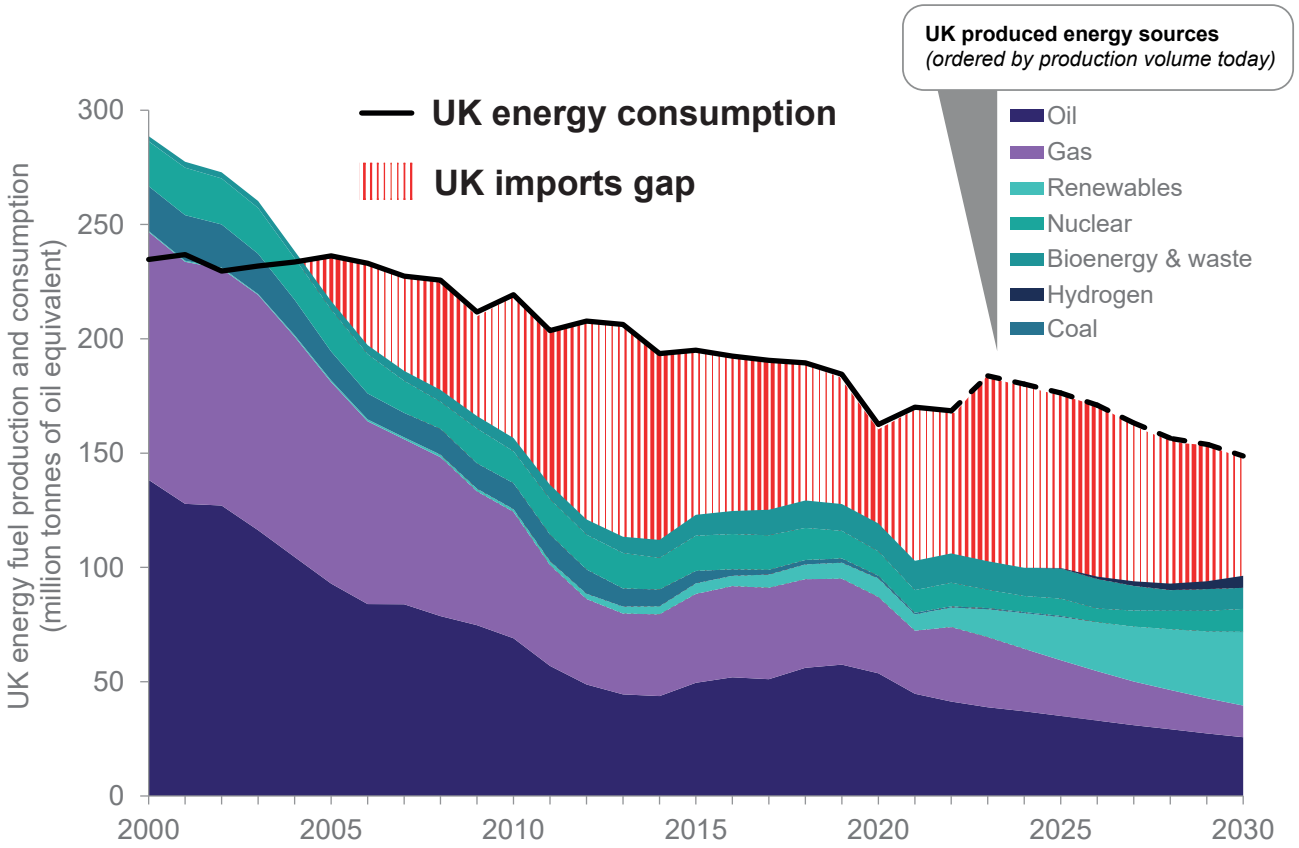
OEUK members are helping to develop 13GW of offshore wind capacity by 2030, with these projects requiring almost £30 billion of investment. **That's 60% more than the cost of building the Elizabeth Line.**

Profits made today are being invested in new innovations to accelerate our progress to renewable energy sources.

The North Sea Transition Deal alone will see us invest up to £16bn by 2035 in low carbon energy and emissions reduction.

Slow progress on oil and gas consumption means the UK's import gap is likely to increase

Investment in new oil and gas production is crucial to minimise it



Sources: NSTA, DESNZ, CCC, OEUK

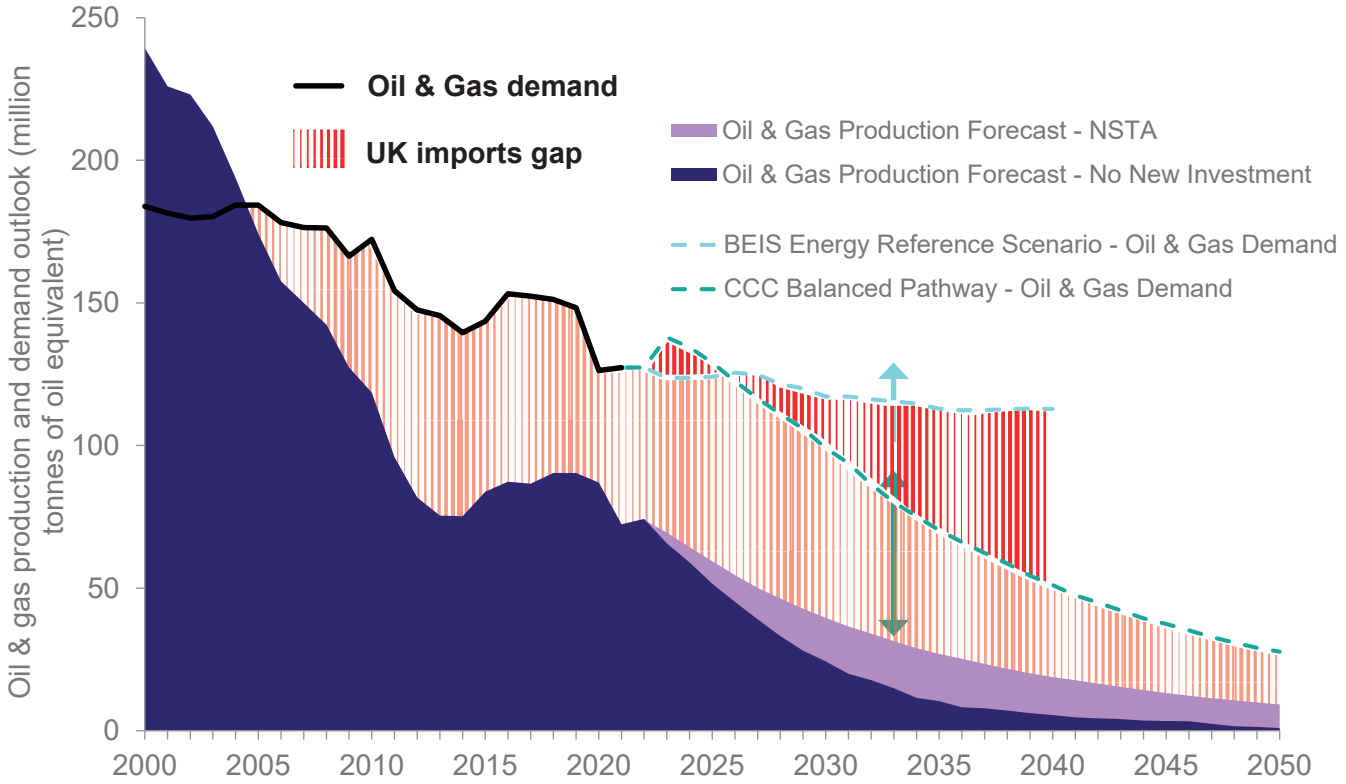
The UK will still need to import at least 1/3 of its energy in 2030 – the gap is almost fully made up of oil & gas imports

Spending ~£200 billion on UK energy development is required to only maintain overall production levels

The UK government energy targets (including offshore wind) would see renewables increasing to ~1/3 of energy production in 2030

With continued investment, oil & gas will still be the largest component of UK energy production (42%)

Oil and gas production and demand outlook to 2050



Sources: NSTA, DESNZ, CCC, OEUK

Further policy action is required to drive a faster oil and gas consumption decline

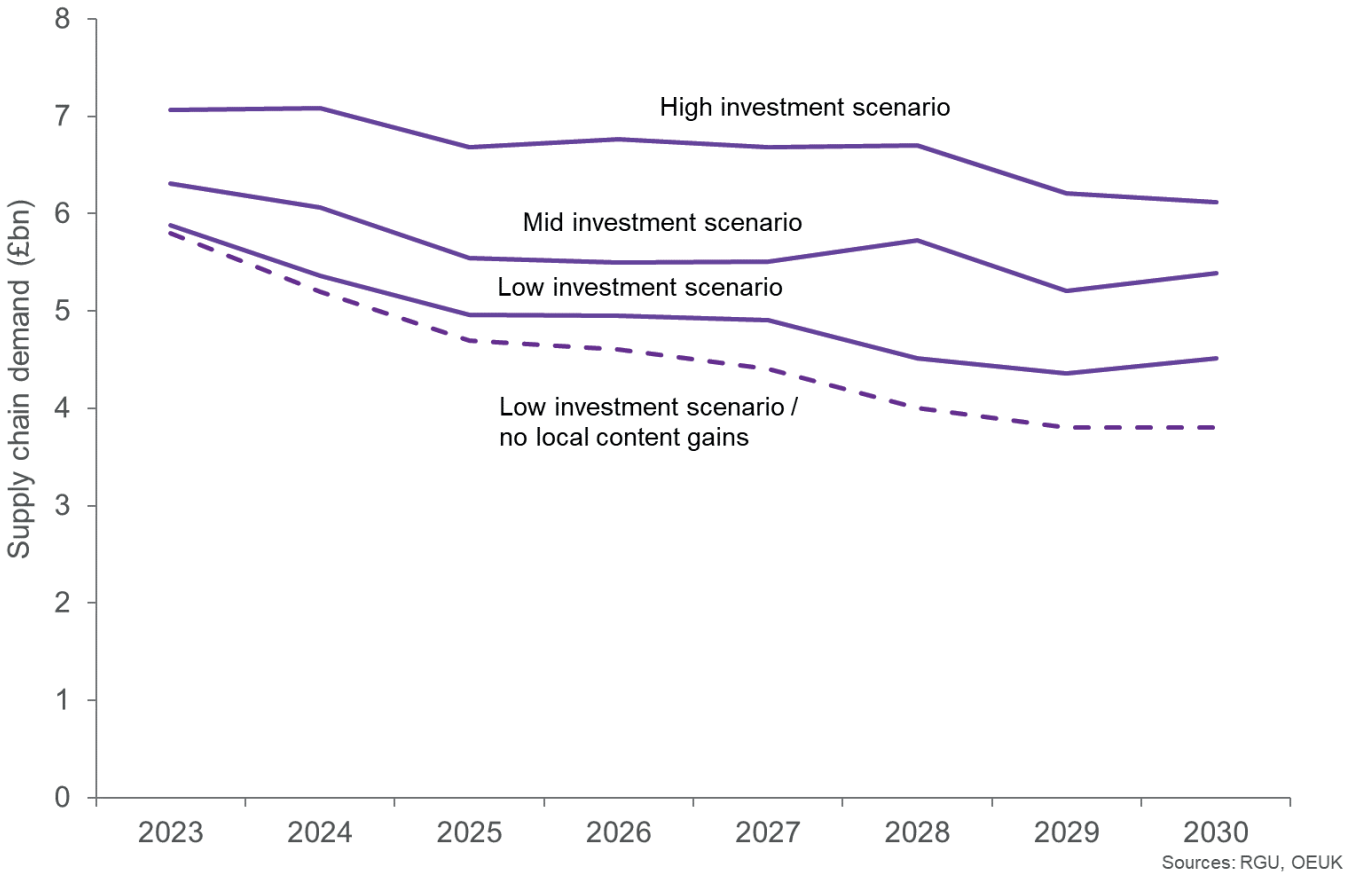
A faster decline rate, aligned with net zero, would still require oil and gas imports into the UK

The rate of investment and consumption will determine the scale of the import gap

New investment is required to manage the decline in UK oil and gas production

Retaining, and growing, the UK's energy supply chain

75% of oil and gas supply chain maps to offshore wind; 90% for CCS



Sources: RGU, OEUK

£400 bn

The UK's oil and gas industry has spent since 2000 on developing and maintaining domestic production.

Unlocking the sector's potential across the integrating energy landscape will see this grow in the coming years

Commonly asked questions

1. What are the benefits of the UK's offshore energy industry?

Our industry is essential for the economic and environmental prosperity of our country. Our brilliant, skilled people work tirelessly to produce the energy from off the coast of Britain that powers not just our homes, transport and industry, but the everyday products we need to live well.

5 Key Facts

1. We support over **200,000 good, skilled jobs** across the length and breadth of the UK. We provide 90,000 jobs in Scotland.

2. In 2022/23 alone we will add over **£20bn to the UK economy**. Representing one of Britain's most significant industrial sectors.

3. In 2022, **UK gas production met 44% of the country's needs**. This reduced our dependence on less-environmentally friendly imports and played a part in inhibiting further price increases.

4. **We have reduced our own impact on the environment by 20%** since 2018.

5. The North Sea Transition Deal alone will see us **invest up to £16bn by 2035 in low carbon energy and emissions reduction**. OEUK members are helping to develop 13GW of offshore wind capacity by 2030, with these projects requiring almost £30 billion of investment.

The industry expertise and infrastructure we have built up will be needed to support the expansion into clean energy. We are proud to make a huge contribution.

But we recognise the need for change. Our members are the same companies that are investing to accelerate our expansion into renewable sources. The homegrown expertise of our people is driving innovation in cleaner energy production. We are determined to create a sustainable future.

2. Why does the UK need secure sources of oil and gas?

The UK consumes: **77 billion cubic metres of gas a year** (1,150 cubic metres per person) and **61 million tonnes of oil a year** (just under a tonne per person)[1]. **76%** - Proportion of UK's total energy derived from oil and gas.

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1147081/ET_1.2_MAR_23.xlsx

Over half of the oil and gas we use already has to be imported. In 2022, the UK spent £117 billion importing energy (up from £54 billion in 2021)[2]. Any reduction in UK production would risk even higher future import bills.

By investing in homegrown production, we avoid costlier, less secure and higher carbon footprint imports while supporting the infrastructure we need to make cleaner, more affordable energy in the UK, for the UK.

3. Why do we still need so much oil and gas?

We are still reliant on oil and gas for much of our everyday lives, so that:

- **24 million homes** (86% of the total) still rely on gas boilers for heat and hot water.
- **1.5 million homes** rely on oil for heating and hot water.
- **32 million UK vehicles** rely on petrol or diesel for fuel.
- **42% of UK electricity** come from gas-fired power stations.
- **20 million UK homes** lack proper insulation.

Our members are the same companies that are investing to accelerate our expansion into renewable sources. The homegrown expertise of our people is driving innovation in cleaner energy production. We are determined to create a sustainable future. As we build that future there is no simple choice between oil and gas on the one hand and renewables on the other. The reality is that to keep the lights on and grow our economy, we need both. By the mid 2030s, oil and gas will still provide for 50% of our energy needs.

4. Why can't we just use our existing oil and gas fields?

The UK's oil and gas fields are in natural long-term decline. UK oil and gas production will never increase and new developments are needed simply to minimise that decline. UK oil and gas resources occur in multiple small reservoirs which become depleted, so constant investment is needed to develop new sources to replace those are no longer viable. This 'churn' is the only way to maintain production.

Without such investment UK oil and gas output would fall ~80% by 2033. This would make the UK even more dependent on imports and increase the 'energy gap' – meaning the difference between what we produce and what we consume

[2] https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/datasets/uktradecountrybycommodityimports

5. Would new North Sea oil and gas developments undermine the UK's carbon budget?

This claim is false. The UK is on a journey to net zero but the Climate Change Committee's carbon budgets acknowledge that oil and gas will remain essential, albeit in reducing amounts, for decades to come.

The UK's carbon budgets reflect that and allow for those emissions, including from new developments.

The UK is managing its journey to net zero through carbon budgets. These budgets set out the expected emissions for each budget period. This plan allows for the continued but declining use of oil and gas. The UK's carbon budgets include allowances for new oil and gas fields in UK waters. We were one of the first industries to commit to net zero carbon emissions by 2050 and have reduced our own impact on the environment by 20% since 2018.

The key to cutting the UK's emissions lies in reducing demand for oil and gas. Cutting off supplies before reducing demand just exposes the UK and Europe to the risk of supply shocks.

6. Shouldn't we be cutting all emissions?

Yes. And we are! The UK's national emissions have fallen from 950 million tonnes in 1990 to about 400 million tonnes in 2020. But this was caused by changes in demand as well as where our energy comes from.

A key factor was the move away from coal to gasThe next phase of the UK's transition will require rapid expansion of electricity capacity as well as the development of cleaner sources of fuel and heating including hydrogen, gas and wind.

This will take two to three decades, during which the UK will still need oil and gas, in declining amounts. North Sea oil and gas can meet much of this demand more securely than imports. The UK is in a global race for the investment to make that future a reality and it is critical that it wins. Put simply, enabling our members to continue investing in the UK is essential both to the long-term economic health of our country and to the planet.

7. How can UK oil and gas projects support energy security when most of UK production is exported?

UK gas production is largely used to meet domestic demand – around 50% of the gas we use to heat homes and generate electricity comes from UK waters. UK crude oil is sold on the global market, mostly to European refineries. So, UK crude reduces Europe's reliance on Opec, Russia and other countries. Its products will boost energy security for the UK - which re-imports lots of oil products from Europe. The UK's gas supply is mainly from the UK Continental Shelf (our waters) and Norway, augmented by LNG shipments which run to the

UK's three main import terminals: Isle of Grain, Dragon, and South Hook. The UK lacks gas storage capacity for overall demand. Europe has roughly 105 bcm of gas storage capacity, equating to 22 per cent of annual consumption. By contrast, the UK has just 0.9 bcm of gas storage relative to around 80 bcm. The UK often has a surplus capacity to import LNG. Instead of importing substantial amounts of LNG in the summer and storing it in winter storage, the UK relies on its production and Norwegian pipeline supplies, 'topped up' with LNG imports.

Background

Oil is complex and can be transformed into hundreds of different products. These range from fuels like petrol and diesel to plastics, solvents and tarmac for paving roads.

These transformations are done in refineries which process crude oil into usable products. Few European countries have the range of refineries needed to make all the products they need. Instead, European oil companies operate a network of refineries, specialising in different products. It means countries export and import crude and refined oils according to what they produce or need.

Crude oils also vary in quality and uses – so UK refineries do not always want UK crude oils. It means crude and refined oils are traded around Europe and globally according to need.

The UK relies on that trade – as shown by the government figures for 2021 when the UK:

- **Imported 41 million tonnes of crude and other primary oils[3]**
- **Imported 25 million tonnes of refined oils**
- **Exported 34 million tonnes of crude oil and other primary oils[4]**
- **Exported 18 million tonnes of refined oils**

UK oil projects are part of this system – securing oil supplies for the UK and its European neighbours.

8. Why do we need new oil and gas projects?

Our industry is essential for the economic and environmental prosperity of our country. Our brilliant, skilled people work tirelessly to produce the energy from off the coast of Britain that powers not just our homes, transport and industry, but the everyday products we need to live well.

The UK's continental shelf has served the country's oil and gas needs for five decades and production is now in long-term decline. There is no scenario where the UK will produce even

[3] Dukes 3.7 https://www.gov.uk/government/statistics/petroleum-chapter-3-digest-of-united-kingdom-energy-statistics-dukes
[4] Dukes 3.8 https://www.gov.uk/government/statistics/petroleum-chapter-3-digest-of-united-kingdom-energy-statistics-dukes

half of its own oil and gas demands. So, new projects will help the UK maintain production or at least slow the decline. Long-term, the UK's dependence on imports is set to grow. That dependence will grow much faster if we fail to invest in new projects. For example, without any new investment, the UK will rely on imports for 80% of its oil and gas by 2033.

9. Will UK oil and gas oil help reduce UK energy bills?

The real benefit of new projects is on long-term energy security for Europe. The International Energy Agency and others have predicted that global demand for oil will hit an all-time high in 2023. Global demand for gas is predicted to keep rising till beyond 2035.

If the UK and Europe fail to invest in their own resources, they will become increasingly dependent on countries like Russia, Saudi Arabia and Qatar. Those countries are already predicted to grow their share of international supplies from 37% now to 52% in 2050- a level higher than at any point in the history of oil markets. Putin's invasion of Ukraine underlined why the world needs secure and responsible supplies of oil and gas – and how risky it would be to allow our reliance on imports to increase.

10. Do oil and gas companies get subsidies from taxpayers?

Some describe the oil and gas production in the UK as being subsidised by taxpayers – this is incorrect. There are no subsidies for the UK oil and gas industry.

There are instances when spending can lead to a tax refund because all companies, not just those involved in the exploration and production of oil and gas in UK waters, can offset the expenses of running their business against their profits. These costs are known as Allowable Expenses. If expenses increase, then profits will fall. That means the tax payable will also decline.

The UK oil and gas industry is the highest taxed sector in the UK – with taxes on oil and gas production totalling 75% compared to the 25% top end corporation tax for larger companies in the UK. We are proud to make a huge contribution however uncertainty over taxes continues to drive away investment. The UK is in a global race for the investment to make that future a reality and it is critical that it wins. Put simply, enabling our members to continue investing in the UK is essential both to the long-term economic health of our country and to the planet.

Contact us for more information

If you have any questions about anything in this document, please contact Communications and Marketing Director Natalie Coupar at ncoupar@oeuk.org.uk

Thank you.
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