The Rt Hon Rachel Reeves MP
The Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
Westminster
London
SW1A 2HQ

Dear Chancellor,

OEUK writes ahead of the Autumn Budget with proposals to boost UK growth, tax revenue and jobs.

Our organisation represents 450 companies engaged in all aspects of offshore energy, including the licensing, development and production of the UK's oil and gas resources, along with offshore wind, carbon capture and storage, and hydrogen opportunities. Together we support 200,000 jobs.

The political debate is becoming increasing polarised: economic growth versus climate ambition, renewable energy versus oil and gas, clean jobs versus dirty jobs. These are false choices. These are difficult times. Years of economic and industrial decline are driving division and hardship in our communities, but these challenges can be overcome.

Our sector offers a national growth story: we can support skilled jobs across the country, deliver affordable and secure homegrown energy, and tackle climate change by choosing the path that makes the most of our energy and industrial resources today while building the modern industrial Britain of the future.

The decisions taken by the UK government in the coming weeks; on oil and gas licences, reform to the Energy Profits Levy (EPL), the build out of renewable energy on the path to clean power, will shape the future of the North Sea and our country.

The opportunity

We put forward a proposal which offer a growth plan for UK offshore energies – oil, gas, wind, hydrogen and carbon capture and storage. As an integrated sector, we emphasise that progress in renewables and low-carbon projects depends on a stable foundation.

Without timely reform of the EPL, the investment needed to accelerate wider offshore energy success will stall or go elsewhere.

The EPL isn't working. It is failing workers, failing investment and failing our public services. Since the introduction of the levy in 2022, the Office for Budget Responsibility has downgraded expected revenue repeatedly from £42 billion to now less than £17 billion, and further decline in receipts is forecast. The EPL is driving away future energy investment, undermining future tax receipts, and hurting the world class supply chain needed for our energy future.

There is an alternative path that supports jobs, value in our economy, and underpins the UK's climate ambitions.

So, on behalf of the sector, we have a proposal:

The sector will unlock investment to drive economic growth, deliver additional tax receipts, and enable the UK supply chain to deliver a homegrown energy future.

In return, we urge the government to replace in 2026 the EPL with a permanent mechanism as outlined in the 2025 HMT oil and gas price mechanism consultation, deploy the previously announced funding for carbon capture and storage, hydrogen, and wider renewable energy, and address transmission charges to enable delivery.

And together we will:

1. **Boost UK economic growth -** Add **£137 billion** in value to the UK economy by 2050 from oil and gas alone, with benefits reaching every region - from Shetland to Portsmouth, the Humber to Wales and across the nation.
2. **Pay more tax, not less -** Deliver a **25% increase in total production tax revenues over time**—£12 billion in additional receipts to fund public services and national priorities by 2050.
3. **Invest in the UK's energy future -** Unlock over **£40 billion** of new capital investment in oil and gas projects, cutting the UK's reliance on imports and strengthening national energy security. Invest in the accelerated build out of carbon storage, offshore wind and hydrogen to support the clean power ambition.
4. **Decarbonise UK oil and gas production -** Halve production emissions by 2030 and cut by 90% by 2040 demonstrating climate leadership through a variety of opportunities including the potential unlock UK floating wind at scale through INTOG licenses.
5. **Anchor and grow the UK supply chain –** our world class supply chain companies that support our domestic oil and gas are critical to our energy future in wind, carbon storage, and hydrogen. We commit to a minimum **50% local content** - what we make, and where we make it, matters. Deliver our commitment to efficient, cost-effective decommissioning honouring our environmental commitments
6. **Support jobs and skills—protect communities –** By 2030, safeguard **160,000 jobs in domestic oil and gas sector** with an additional 23,000 direct and indirect roles, supporting communities across the UK.

A delay to the implementation of a permanent mechanism to 2030 will result in the sterilisation of these opportunities in the North Sea along with the accelerated cessation of production of critical offshore platforms and wider infrastructure.

A delay to the implementation risks the flight of our world class supply chain companies that support our domestic oil and gas. The existing supply chain is well placed to gain market share in the future offshore wind, floating wind, carbon capture and storage and hydrogen projects and vital to our energy future.

Why it matters

Today, we are witnessing an accelerated decline in domestic offshore oil and gas activity. This is undermining the value of a strategic national asset and supply chain capabilities needed for a successful homegrown energy future.

Domestic oil and gas production has fallen by 40% in the last 5 years and is on course to halve again by 2030. This is an accelerated decline driven by policy.

Without action, this sector will continue to lose 1,000 direct and indirect jobs each month between now and 2030. These are jobs lost in our industrial hubs from Aberdeen to Shetland, Grangemouth to Teesside, the Humber, Tyneside, Merseyside and East Anglia. A weakened industry has knock-on effects across the entire economy.

This time, it's different. The job losses and recent mergers aren't about global oil prices - they're a direct market response to UK policymaking and the current fiscal regime.

Oil and gas prices have returned to levels seen prior to the war in Ukraine. Germany, the Netherlands and Belgium have ended similar windfall contributions, given that windfall conditions have long since disappeared; the world's largest producing nations never introduced such a proposal; the UK is now an outlier, with most countries prioritising domestic supply in the face of a fragile geopolitical landscape.

The UK must prioritise homegrown energy production over imports wherever possible. As a country we are breaking records for energy imports, with over 40% of our energy imported in 2024. These imports come with higher emissions, fewer jobs, and pay no UK taxes.

The build out of renewable offshore energy is a significant economic opportunity for the UK. The existing world class oil and gas supply chain in the UK is needed to service future fixed wind, floating wind, CCS and hydrogen projects. These companies rely on revenue from ongoing oil and gas activity to support their expansion into offshore energy opportunities.

A recent OEUK survey found over 75% of supply chain members reported no improvement in business sentiment, signalling confidence remains deeply negative. Respondents cited the Energy Profits Levy as a primary concern. Not only are the new energy sectors not yet self-sustaining but struggling UK businesses are increasingly shifting resources to countries with more supportive policies. Without action, the UK's exodus of critical supply chain capability is set to continue.

Decisions on the future of UK oil and gas licensing and the response to the Finch ruling are important. A functioning regulatory regime is an absolute necessary condition of continuing activity, attracting investment and sustaining employment in the medium term. However, without reform in 2026 to the oil and gas fiscal regime we will not attract investment into national production and deliver on this prize.

Britain faces industrial contagion

What happens to North Sea energy doesn't begin and end in Aberdeen. It ripples through our industrial spine, across sectors and into Grangemouth, Humberside, Teesside, Tyneside, East Anglia, the Northwest, the Highlands and Islands, London and many more in between. It undermines the homegrown manufacture of fuels, chemicals, steel, ceramics, paper and pharmaceuticals as well as our energy future. These impacts extend beyond industry - they affect the UK's ability to maintain a strong balance of payments, secure affordable borrowing, and sustain the national revenues that fund our public services. We must avoid industrial contagion and back UK energy and UK industries.

The choice: Back homegrown energy, back the UK

The future of the North Sea is in our hands. With the right policies, we can secure energy, jobs, and growth for generations - delivering on our climate and national security, for every community in the UK. Let's get this right. Reform the EPL, deploy the committed wind, carbon capture and storage and hydrogen funding, and together we will power a stronger, more secure, more sustainable the UK.

This is a critical time. Embrace our proposal, and our members stand ready to deliver economic growth and a sustainable future.

Regards

David Whitehouse

Attachments

1) OEUK Budget Requests
2) Industry Proposal supplementary information

OEUK Budget Requests

1) **Restore investor confidence and long-term competitiveness of the UK's offshore oil and gas industry by replacing the temporary EPL with a permanent profits-based mechanism. This must be implemented in 2026 not 2030.**

- Profits based mechanism targeting the proportion of the rent that sits above the threshold.
- Trigger prices for both oil and gas.
- Threshold levels set based on 85th percentile of 10-year historical prices.
- Total 78% Tax Rate applied above the threshold: CT 30% SC 10% Additional Tax 38%.
- Total 40% Tax Rate applied below the threshold: CT 30% SC 10% Additional Tax 0%.

Decisions on the future of UK oil and gas licensing and the response to the Finch ruling are important. However, as we have evidenced, it is vital that the UK has an oil and gas fiscal regime implemented in 2026 that attracts and retains investment into national production.

2) Deliver the previously committed funding to materialise the CCS project pipeline including the expansions of Track 1 projects Hynet and East Coast Cluster; enable Track 2 clusters Viking and Acorn to reach FID before the end of this Parliament; open a route to market for projects outside of the cluster sequencing process.

- Provide unequivocal support beyond initial projects to recover lost volumes caused by delays in the cluster sequencing process.
- Accelerate revenue-generating policies, including through the removal of regulatory barriers for cross-border CO_2 flows to unlock international storage services alongside a policy framework for non-pipeline CO_2 transport.
- Open a route to market for CCS projects outside the cluster sequencing process and their emitters (e.g. Morecambe Net Zero, Bacton CCS, Poseidon, Sullom Voe) to accelerate cost reductions and foster a competitive carbon storage market.
- Ensure CCS-enabled hydrogen remains a core part of the UK's hydrogen strategy, with proportionate support alongside electrolytic hydrogen to enable scalable production and robust T&S infrastructure.

3) Deliver a steady offshore wind pipeline supporting the UK supply chain to improve its competitiveness, enabling cost reductions and avoiding locking in high electricity prices at the expense of consumers.

- Reform urgently electricity network charges, ensuring they are transparent, equitable, and supportive of both existing assets and new low-carbon developments across the UK
- Delivering government's Clean Power 2030 objectives requires funding contracts for difference to procure 20GW of capacity across Allocation Rounds 7, 8 and 9.
- Provide long-term visibility in project pipelines to unlock investments of up to £75 billion
- Strengthen support for UK supply chain competitiveness in offshore wind by promoting established industry good procurement practices (e.g. OEUK supply chain principles and alliance contracting) and via mechanisms like the Clean Industry Bonus and GB Energy investments, prioritising local content and supporting jobs in communities across the UK.