OEUK OFFSHORE ENERGIES UK

SUPPLY CHAIN REPORT 2025

The comprehensive outlook for the UK's offshore energy supply chain

SUPPLY CHAIN REPORT 2025

An integrating offshore energy industry that safely provides cleaner fuel, power and products for everyone in the UK.

Working together, we are a driving force of the UK's energy security and net zero ambitions. Our innovative companies, people and communities add value to the UK economy.

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FOREWORD

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Offshore Energies UK

Growing the economy is a national mission and this Offshore Energies UK Supply Chain report outlines why the path to sustained growth should take advantage of the UK's unique industrial strengths. Offshore energy, produced from the waters off the coast of Britain, offers businesses a significant opportunity in the short, medium and long term, supporting over 200,000 skilled jobs throughout the UK.

Drawing on more than 50 years of successful operations in North Sea waters, we have built an industry capable of creating a secure, skilled and sustainable future. This world-class supply chain is a national asset with the potential to power the nation's drive to ever cleaner energy production.

Our industry is intrinsically tied to the sectors which make Britain's industrial past, present and future. Steel, cement, ship building, glass, car making and more rely on the energy and technologies we produce, and we are committed partners in enabling safe, efficient, low carbon and affordable homegrown energy.

Our supply chain is an integrated ecosystem encompassing operators and developers, manufacturers and service companies along with small to medium enterprises (SMEs) providing specialist capabilities. It's a supply chain which provides skills, services, innovation and materials to a community of operators and developers looking to develop homegrown energy at pace. They will design mooring systems, manufacture specialist valves, install high voltage subsea cables, maintain pipelines transporting energy and carbon and remove offshore structures. While it possesses the skills, experience, and commitment to adapt, growing UK companies so they can be competitively equipped to lead the energy transition cannot be taken for granted.

The UK energy supply chain is facing significant pressure, with this report finding a declining business environment for 40% of companies in the past year. Hundreds of supply chain companies, crucial for the nation's energy future, rely on revenue from the oil and gas sector. The UK will continue to use oil and gas on its path to net zero by 2050. Prioritising domestic production over imports will safeguard these companies, ensuring their continued contribution to both energy security and the broader energy transition.

There are significant challenges to overcome to ensure we retain this crucial asset. The government's Energy Profit Levy has reduced companies' confidence to invest, resulting in project delays and a lack of certainty for the supply chain which is increasingly concerned about the outlook for activity in the UK. Almost 90% of the supply chain believes that

growing their business is only possible by finding new markets outside the UK.

With its innovative mindset, our supply chain is developing technologies and solutions to some of the biggest challenges faced by the country while supporting economic growth and navigating the evolving energy landscape. This report includes some of the collaborative industry initiatives led by OEUK including alliance contracting, shared inventory systems and good procurement practice guides designed to improve the UK's long-term competitiveness and its potential to be a clean energy superpower.

Yet, to build on our strengths we require government recognition that a supportive investment environment is crucial. We must equip UK companies for success, enabling them to invest in their businesses, people and technology, confident that they can make appropriate returns over the long term, underpinned by affordable finance.

Our industry and its energy supply chain are essential for the economic and environmental prosperity of our country. We are committed to a sustainable future, one that means investing in homegrown production, supporting good, skilled jobs and avoiding costlier, less secure and higher carbon imports.

Decisions made in the coming months will not only shape the North Sea's future but also our sector's ability to unlock investment in low-carbon technologies while continuing to deliver the energy security that our country needs.

Giving policy and political support to the UK offshore energy industry at this critical time is a strategic backing of national capabilities, including the production of energy and wider industrial base this enables.

To unleash our supply chain's potential and power our future, we ask those leading our government to choose a homegrown energy future. 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.

KM Heidenreich

SUPPLY CHAIN CHAMPION

Steve Nicol

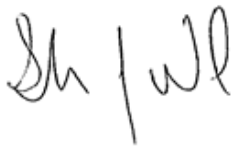
For more than 50 years our oil and gas sector has been a national success story. Our experience of successful offshore operations in the North Sea is a badge of honour for the UK, opening doors for our people and companies around the world as others seek to learn from our expertise.

Much work has been done to help us better quantify the relevance of our oil and gas solutions and where they can make the most of the significant opportunities ahead. Rystad Energy's 2024 report, *UK oil and gas supply chain and opportunities in the energy transition*' shows the oil and gas sector's supply chain possesses between 60% and 80% of the capabilities required to develop the UK's low-carbon energies. However, to capture the potential, targeted investment is vital.

This report provides a powerful case for prioritising future investment. It shows how successful delivery of emerging low-carbon energies will hinge on the existing oil and gas chain's expertise and technological advancements to support the UK's ambition for carbon capture and storage, hydrogen and floating offshore wind.

By providing the right action now, the UK can support its own champions across the energy sector. The alternative is that the UK imports the solutions and our supply chain loses out on an unprecedented opportunity to help deliver homegrown energy to power our future.

We must build on this legacy and ensure our supply chain's capabilities and its relevance to broader energy sectors is better understood so that companies remain anchored in the UK while adapting and growing as new energy opportunities arise.



NORTH SEA TRANSITION DEAL

The North Sea Transition Deal (NSTD) was agreed by industry and government in 2021. It is helping the UK to progress towards net zero by harnessing the skills and expertise of the people and companies in the oil and gas industry to support the development of carbon capture and storage (CCS), hydrogen and other decarbonising technologies. It aims to grow the economy, sustain high-skilled jobs, establish new energy businesses, attract investment and grow exports – and still reduce emissions.

NSTD IS BUILT ON FIVE COMMITMENTS:

SUPPLY DECARBONISATION:

Reducing emissions from oil and gas production and helping to produce cleaner energy.

CCS:

Applying carbon capture and storage technologies to lead the way in helping industry and society meet net zero.

SUPPLY CHAIN TRANSFORMATION:

Helping our world-class supply chain expand and evolve to support cleaner energy production.

HYDROGEN:

Exploring the use of hydrogen to provide a potential low-carbon alternative to natural gas for heating, industry and transport.

PEOPLE AND SKILLS:

Making sure our workforce is as diverse as possible with equal opportunities for all and the skills to meet our industry's changing needs.

SECTION 1:

CALLS TO ACTION

Industry

To develop and maintain strong business relationships, purchasing organisations including operators, developers and major contractors should adhere to good procurement practice.

- Purchasing organisations should adopt and implement the OEUK Supply Chain Principles. Priority areas include ensuring the fair allocation of contractual risk and reward, paying invoices on time and encouraging innovative ways of working.

- To create an attractive commercial environment, companies should participate in OEUK's 2025 Working as One survey, which measures performance and encourages adherence to the Supply Chain Principles.

To improve competitiveness and efficiency across the sector, organisations should leverage proven shared services tools for the UK's offshore energy industry.

- Organisations should look to adopt standard contracts covering key aspects of offshore activity, such as those provided by OEUK's not-for-profit subsidiary, LOGIC.

- To foster better collaboration in a challenging economic environment, industry should support and contribute to supply-chain initiatives such as alliance contracting, inventory sharing and the publication of procurement good practice.

To build supply chain confidence to invest and retain resources in the UK, purchasing organisations must provide more visibility of confirmed upcoming work scopes.

- Industry should continue to strengthen its commitment to driving earlier, more open, strategic engagement between operators, developers and major contractors with the supply chain.

Government

Government must champion the UK energy supply chain and recognise the integrated nature of the companies operating in this area.

- Investment in the domestic oil and gas sector supports hundreds of supply chain companies across the UK. These companies rely on income from oil and gas to fund investment in the wider energy transition opportunities.

- The UK will continue to use oil and gas on the path to net zero by 2050. Government policy should prioritise the production of domestic oil and gas over imports to support the UK supply chain.

- To enhance competitiveness, the government must promote UK energy supply chain exportability and focus on high-value areas such as our expert role and global leadership in floating offshore wind and decommissioning, where the UK has significant strengths and can gain a leading advantage in a global market.

Unlock private sector investment in carbon capture and storage, offshore fixed-bottom wind, floating wind and hydrogen. To do this, a clear long-term funding envelope to deliver the potential of these technologies must be announced as part of the government's goals for Clean Power 2030.

- To build investor confidence, the government must provide clear market signals. Many supply chain companies need clarity and certainty on the work to come, to develop their own growth strategies, and make anticipatory investment to help position them competitively for future opportunities.

- Deploy the previously announced £21.7bn for CCS and announce a clear funding envelope for Track-2 and beyond.

- Deploy £5.1 to £7.5bn in contracts for difference (CfDs) to underpin the growth of offshore wind over the next three auction rounds (AR7 – AR9).

- Deploy the previously announced Hydrogen Allocation Round funding to support 125 MW, accelerate a CCUS-enabled hydrogen pipeline and develop affordable, long-term funding mechanisms for electrolytic (green) hydrogen

To support the industry's 50% UK content and 30% local technology commitment as outlined in the North Sea Transition Deal, mechanisms such as the offshore wind Clean Industry Bonus must boost domestic capability to avoid importing ever more products, technologies and skills.

To ensure efficiently resourced departments and efficient regulators to progress opportunities and activity at pace.

- To deliver secure, homegrown energy, the government must provide a stable regulatory and fiscal framework that provides the supply chain with a predictable and attractive environment to continue investing in the UK's energy future.

- Government departmental spending should prioritise efficiently resourced government departments and regulators to progress activities at pace.

- Any allocations for the new machineries of government including National Wealth Fund, Great British Energy and mission control should prioritise adding value and partnership working with government and industry. This will be key to avoid duplicating or competing with other departments for resources.

Government must recognise and champion good industry procurement practice, backing OEUK's Supply Chain Principles and standard contracts, supporting their adoption across the supply chain. It should support specialist technology hubs to drive the technology and innovation required for a successful homegrown energy transition.

These include the Net Zero Technology Centre, ORE Catapult and the Net Zero Industry Innovation Centre.

SECTION 2:

INTRODUCTION

2

The UK's energy supply chain is a complex and vital network that supports the offshore industry throughout its lifecycle, from the installation of offshore wind farms to the decommissioning of oil and gas platforms. Recognising the inherent transferability of the many skills and capabilities to sectors like offshore wind, hydrogen, and CCS, this integrated ecosystem of companies is playing a pivotal role in delivering a carbon-neutral energy future.

This report highlights the challenges and offers actionable recommendations to navigate the evolving energy landscape. To ensure the energy supply chain's voice is effectively represented and heard, OEUK actively engages with key stakeholders through various engagements such as forums and workgroups.

The findings and recommendations presented in this report are crucial for realising the ambitions outlined in the government's Industrial Strategy 2035 consultation. This was issued last autumn and intended as a blueprint to achieve the government's growth mission. By working closely with government to foster innovation, enhance competitiveness and support the transition to a low-carbon economy, the energy supply chain can play a pivotal role in achieving the strategic objectives of this national framework to support a sustainable homegrown energy future.

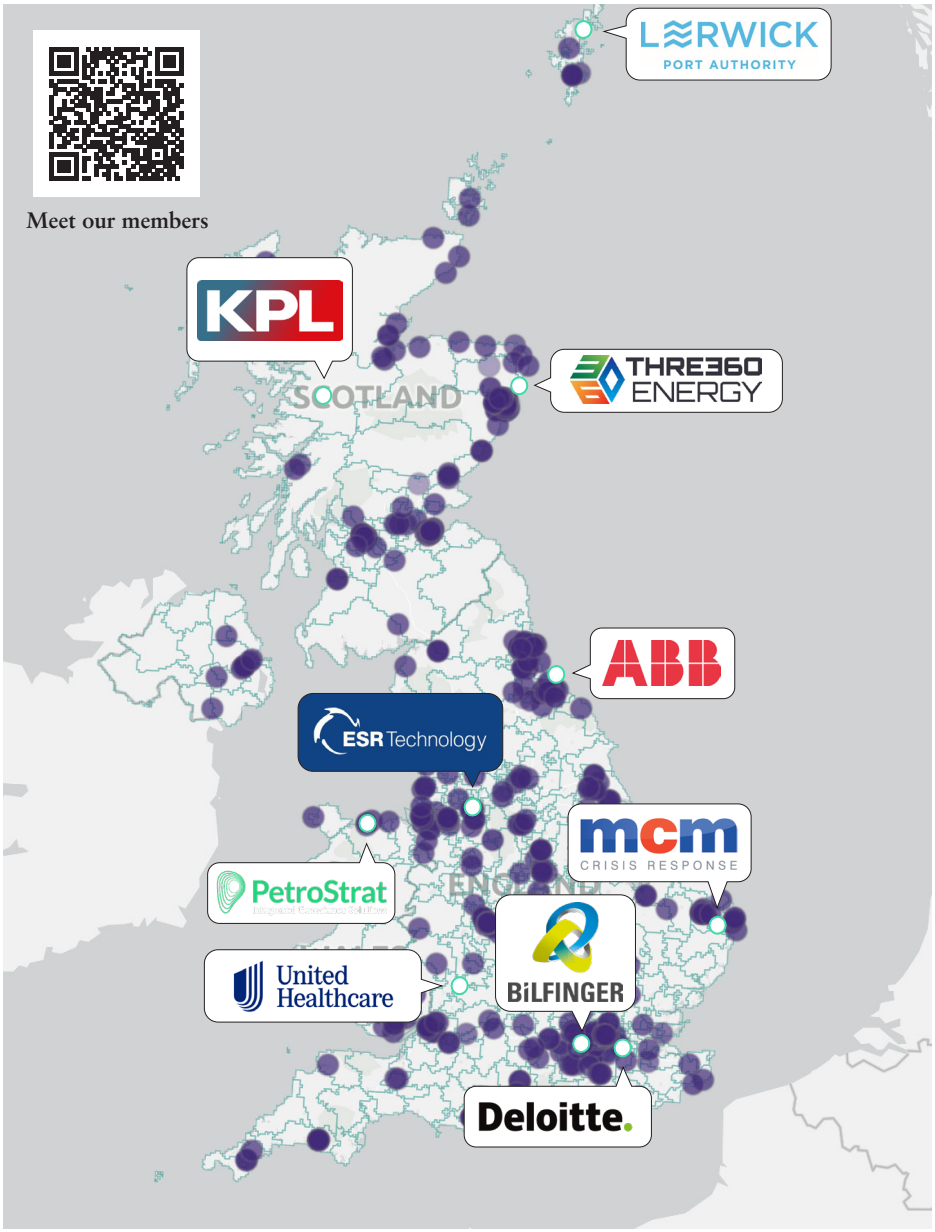
OEUK Strategic Supply Chain Priorities

OEUK's 2025 priority supply chain workstreams support companies with investing in the UK and promote supply chain capability. The table below summarises the strategic themes underpinning OEUK activities under the slogan 'Support our world-class supply chain so that it can have confidence in the UK and lead our shared ambitions to support energy security and deliver our climate goals.'

Strategic Theme			
Creating an attractive commercial environment	**Building confidence to invest and long-term visibility**	**Supply chain strengths and opportunities**	**Policy-maker and third-party engagement**

Supply Chain Explainer | Small, medium and large enterprises

- Large enterprise: an organisation that has more than 250 employees and a turnover of over £44mn or a balance sheet total over £38mn. These organisations often have a global presence providing integrated project solutions.
- Small and medium enterprises: organisations with fewer than 250 employees and a turnover of less than £44mn or a balance sheet total less than £38mn. These organisations make up most businesses providing products and services to the UKCS.

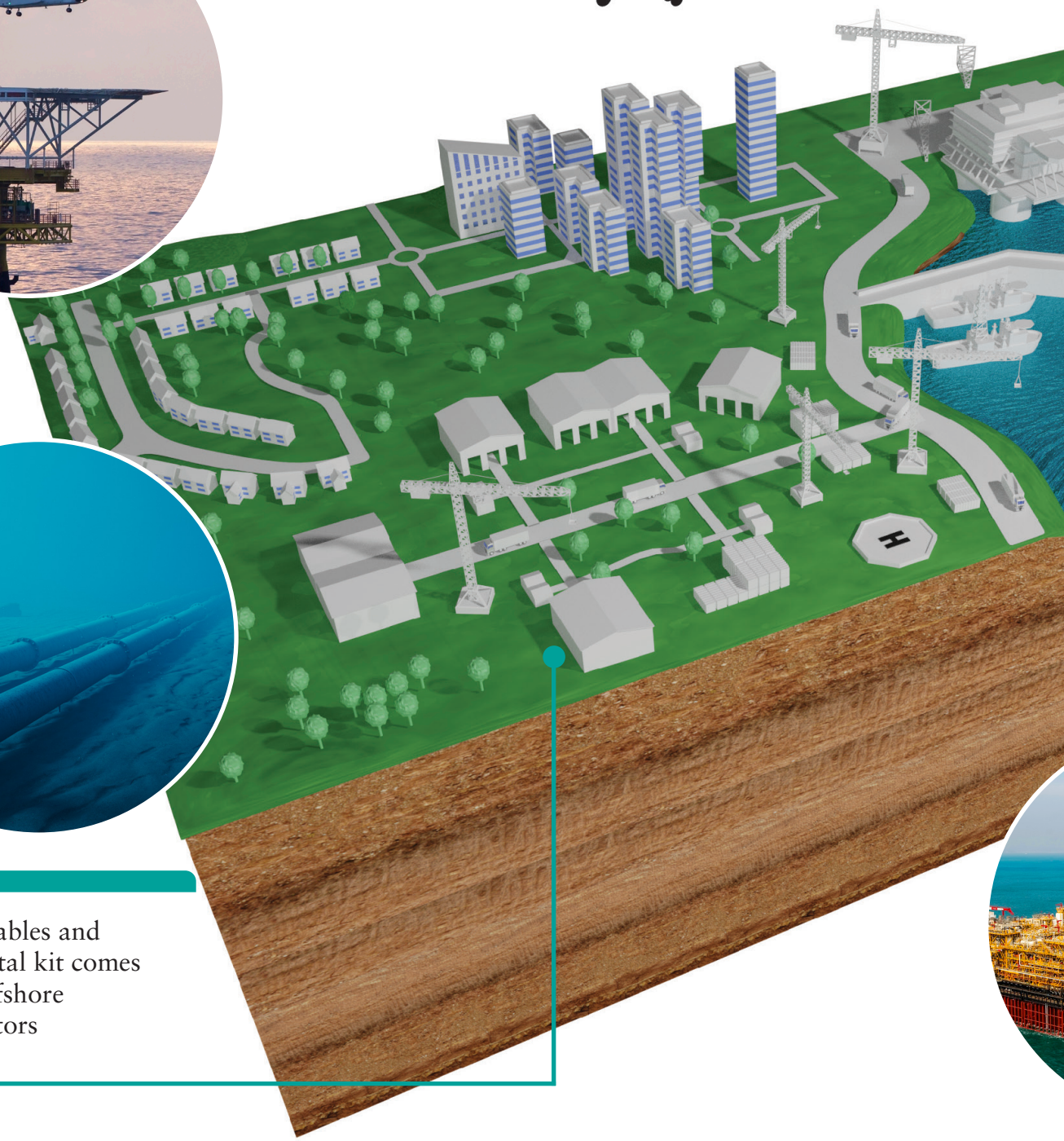


OFFSHORE SUPPLY CHAIN

UK ENERGY OPERATORS RELY ON HUNDREDS OF OTHER FIRMS FOR EQUIPMENT AND SERVICES

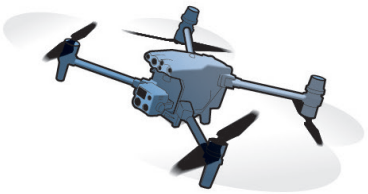
1

Aviation contractors transport people and equipment



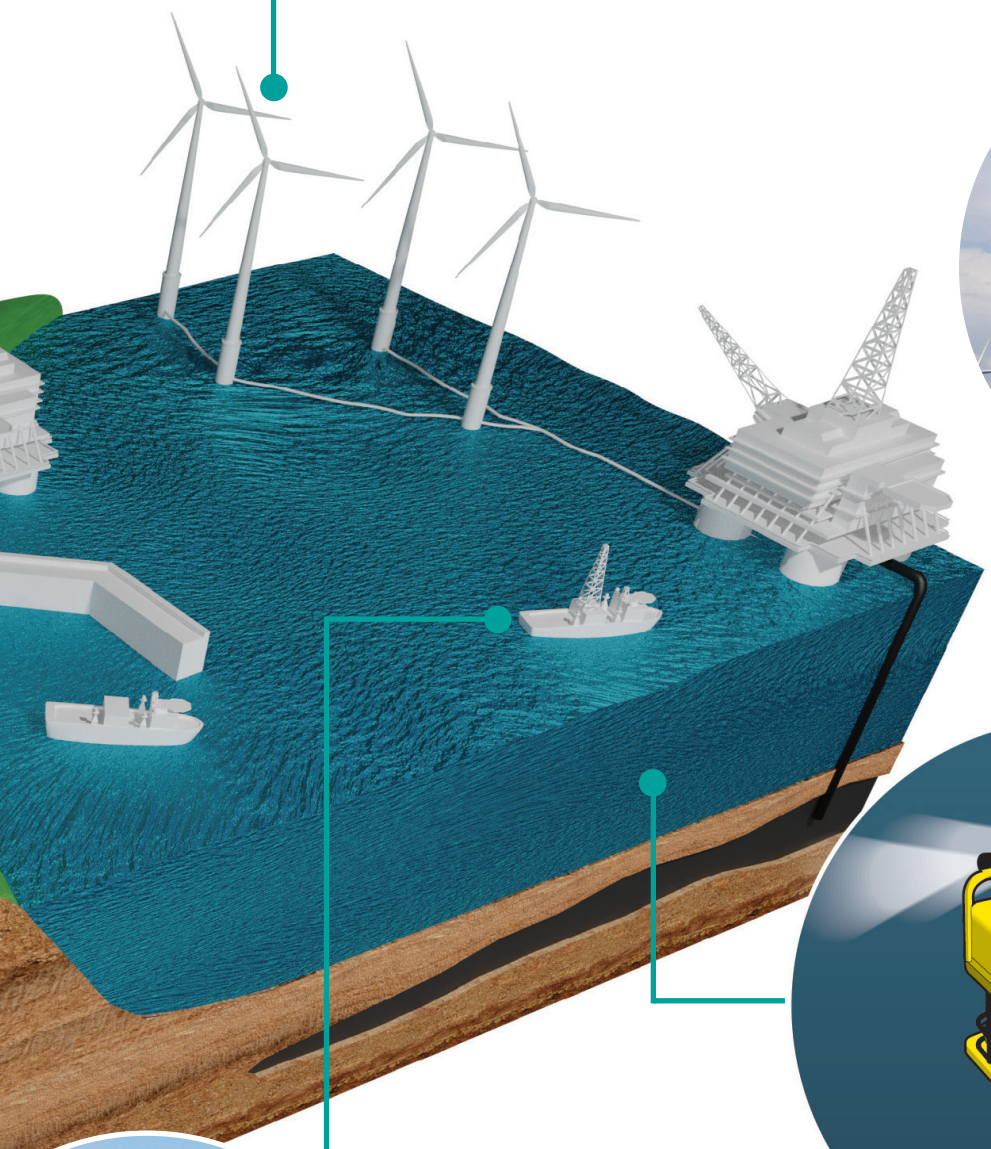
5

Pipes, cables and other vital kit comes from offshore contractors



2

Wind energy contractors build turbines on shore



3

Subsea contractors maintain underwater equipment

4

Support vessel contractors ferry kit and supplies offshore

SECTION 3:

PREVAILING MACRO-ECONOMIC ENVIRONMENT

3

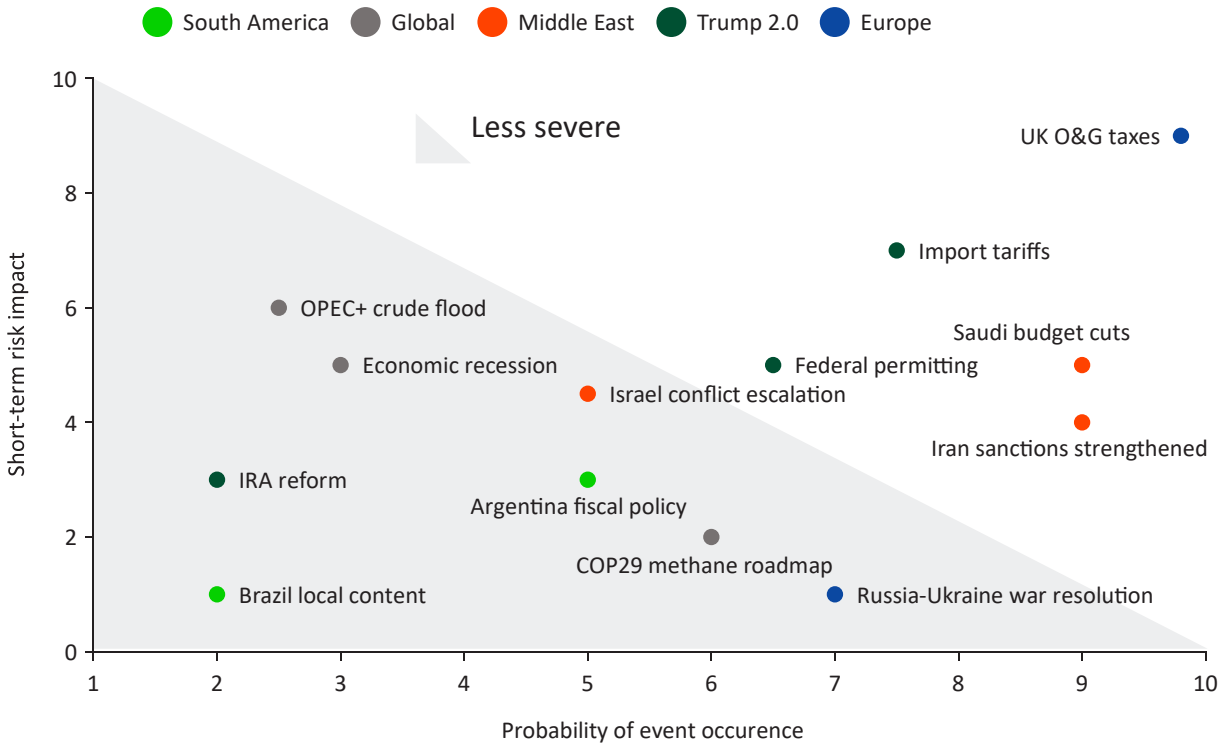
World renowned for its expertise, the UK offshore energy supply chain is deeply interconnected with the international market, making it vulnerable to global events. These events can disrupt the supply of components, cause fluctuations in material costs, increase competition for resources and impact technological advancements. It is crucial to understand how these global connections work, in order to effectively manage risks and ensure the resilience of the UK's offshore energy sector. Market volatility, heightened geopolitical tensions, and cost and capacity challenges set the scene for a complex outlook for the energy supply chain in 2025. Many UK companies need clarity and certainty on the work to come, to develop their own growth strategies, and make anticipatory investment to help position them competitively for future opportunities

The chart opposite depicts a risk assessment for the global supply chain, focusing on the probability and severity of various potential disruptions.

Political decisions are likely to influence supply chain markets, including subsea services and vessel demand. The raft of import tariffs proposed by the US president, Donald Trump, risks hitting global trade with uncertain consequences for Europe's LNG deliveries, for example.

His support for accelerating the award of new oil and gas licences in the USA could affect the UK supply chain. While more activity there could provide companies with business growth opportunities in the US, it would also result in capacity shortages in the UK, impairing the ability to deliver a home-grown energy transition. And his calls for more spending on defence might – if adhered to by European governments – mean less money for state-backed projects in the renewable energy sector.

Rystad Energy - Supply Chain Deep Dive Report Geopolitical Risk



Source: Rystad Energy research and analysis
January 2025

UK activity outlook

Meanwhile, in the UK, the tax regime has impacted the pipeline of work ahead with supply chain confidence suffering as result. According Rystad Energy, UK oil and gas services spending is projected to decline by 20% from 2025 to 2030. The lack of new oil and gas developments and uncertainty regarding the confirmed pipeline of projects across the energy sector mean the supply chain could easily choose to invest overseas instead of the UK.

Supply chain companies are the foundational platform for a homegrown energy future. Many of them rely on revenue that is generated from oil and gas operations for funding essential investments in broader energy transition opportunities.

The UK will continue to use oil and gas on the path to net zero by 2050. Therefore strategic government policy should prioritise domestic oil and gas production over imports. This is critical for supporting the UK supply chain and ensuring its continued contribution to the nation's energy security and transition goals.

Activity table 1

Activity Metric	2025	2026	2027	2028	2029	2030
Rig Demand (rig count)	11	11	12	8	10	9
Offshore wells drilled & completed	54	49	44	43	43	34
'Christmas trees' installed	24	18	19	15	17	4
Oil country tubular goods demand ('000 metric tonnes)	22.63	16.81	19.86	16.48	16.36	14.32

Source: Rystad Energy: Supply Chain Analysis of E&P operators

Oil and Gas

The rig count is a strong indicator of activity and confidence in the basin. Offshore rigs, particularly mobile units like jack-ups and semi-submersibles, can be transported all over the world. The low rig count hampers UK energy project delivery, affecting both new extraction and decommissioning efforts.

Fewer rigs mean lower production capacity, more reliance on imports and potential delays in decommissioning. This also impacts rig suitability, often forcing reliance on less sufficient equipment. Costs go up owing to higher demand and also the potential need to source rigs from overseas.

Offshore well count is a key marker of activity in the energy supply chain because it directly reflects upstream oil and gas exploration and production. In a healthy basin more appraisal, exploration and development wells would signal increased demand for specialised drilling and well intervention equipment, support services, and manufacturing, driving activity across the supply chain. However, in the UK, energy companies are reluctant to invest as they have little confidence in future production and market growth.

Activity table 2

	2025	2026	2027	2028	2029	2030
Number of turbines	209	197	256	150	262	420
Number of array cables	219	206	268	156	270	432
Number of export cables	6	5	7	7	5	17
Number of offshore substations	5	2	3	6	5	12

Source: Rystad Energy - Offshore Wind

Offshore wind

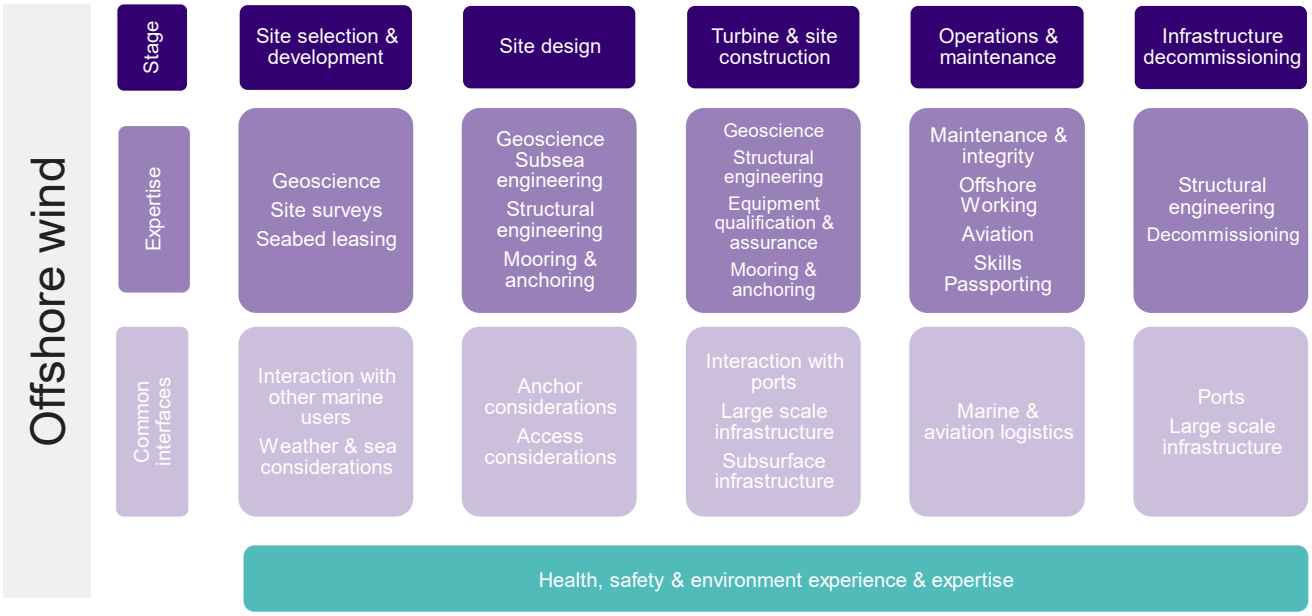
The UK offshore energy supply chain plays a crucial role in homegrown production. It will deliver a sustainable energy future across the energy mix encompassing oil and gas, offshore wind, hydrogen, CCS and emerging geothermal technology.

The UK's net-zero target requires a substantial increase in renewable energy capacity. The government's ambition to achieve 50 GW of offshore wind capacity by 2030 serves as a primary catalyst. The establishment of Mission Control working alongside the National Electricity Supply Operator to deliver a clear pathway to this goal is an important step to provide market confidence to investors. Targets are important, but they must be underpinned by delivery plans with clear and predictable timelines to provide certainty to investors and the supply chain.

Turbine installations are projected to surge by over 60% in 2030, indicating a major acceleration in deployment as several offshore wind projects reach key construction milestones.

This growth is mirrored in array cable installations, which also see a

Transferable oil and gas expertise



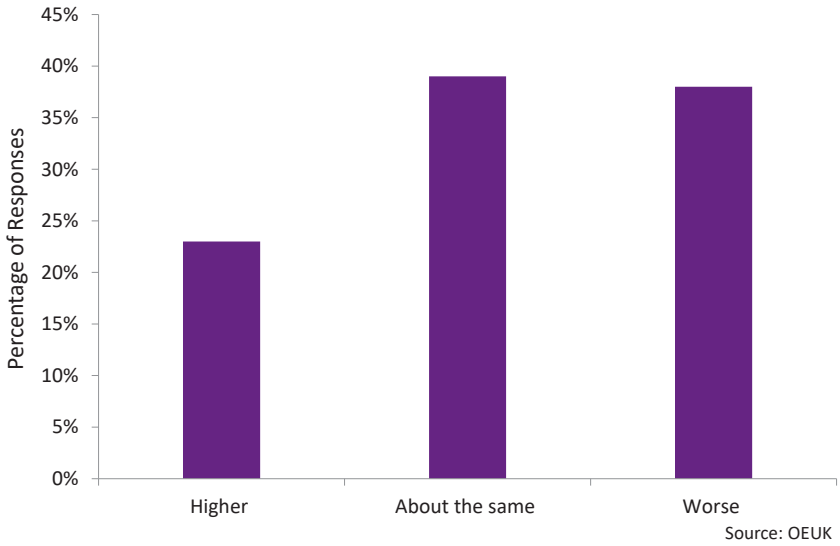
substantial jump of over 60% in 2030 alone supporting the increased turbine numbers. Array cables connect individual turbines, collecting and transmitting their electricity to an offshore substation while often also enabling data communication and transfer. As a result, the number of offshore substation installations, essential for voltage transformation, will more than double in 2030.

Export cable installations, critical for grid connection, rise by trebling in 2030. This will require significant upgrades and expansion of grid capacity onshore, including pylons and other infrastructure.

The installation of turbines, cables and substations will hinge on existing offshore expertise, built on decades of North Sea oil and gas experience. It means ensuring the UK supply chain develops capabilities and capacity for manufacturing components and investing in the workforce's ability to install and maintain the offshore wind turbines. With the right support, the UK supply chain can grow and realise the full potential of the opportunities presented by offshore wind and other elements of the energy mix.

Figure 1 - Supply chain business Sentiment at the beginning of 2025 in comparison with the start of 2024

'For your business, please rate your general business sentiment at the beginning of 2025 in comparison to the start of 2024.'



Business sentiment

The current financial and economic conditions, cost inflation and skills shortages make the UK an increasingly unattractive destination for investors. Our survey of the supply chain shows it has become more pessimistic over the last year, with a combined 38% of respondents expecting 2025 to be worse than 2024.

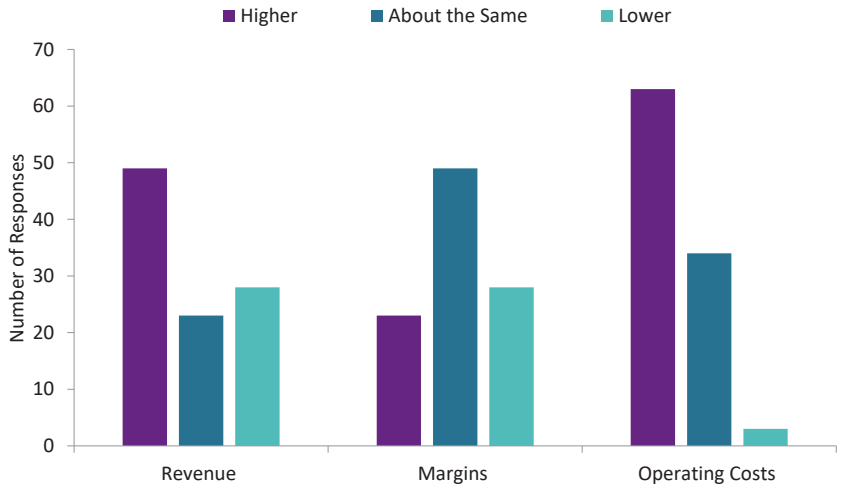
Almost four out of ten respondents (39%) were little changed from last year. By contrast only a quarter (23%) were more optimistic, but this predominantly relates to their rosier perception of business growth overseas, not the UK. The survey, which elicited feedback from nearly a fifth of OEUK's supply chain members from large contractors to micro enterprises, asked the following questions.

Sources of revenue

The supply chain is diversifying with 60% of survey responses stating they are now active and gaining business revenues from offshore wind, hydrogen or CCS. Business revenues from the renewables and CCS sectors represent a relatively low proportion with most stating that offshore wind, carbon capture and storage and hydrogen make up between zero and a fifth of their organisation's turnover. This is because many projects are not due to commence until the end of this decade, aside from a small number of projects including the Northern Endurance Partnership and Net Zero Teesside Power in the East Coast Cluster which have reached a final investment decision.

A significant proportion of supply chain company revenues are from the oil and gas sector, where servicing the oil and gas sector made up over half the company revenues of three quarters of the sample. Nearly a quarter (23%) stated that they rely solely on the oil and gas sector.

Figure 2 – Revenue, Margins and Operating Costs Expectations



Source: OEUK

Supply chain companies rely chiefly on the oil and gas sector for revenue, with offshore wind contributing a small proportion. Expanding offerings to these sectors poses challenges including the investment required in workforce skills and capability. Oil and gas activities help underpin the supply chain's ability to invest and offset financial losses, while retaining the capability that they have developed to serve renewables and CCS. The path to sustained growth should take advantage of the UK's unique strengths, enabling our supply chain to adapt and grow with new opportunities.

The economy can only grow if private and public capital can collaborate. Hundreds of companies at the heart of UK plc operate a multi-revenue approach, progressing oil and gas and renewable opportunities in tandem. This business model will be essential to the commercial and economic success of companies throughout the transition. The companies investing in nascent opportunities like floating offshore wind and CCS will require the cashflow from a stable and predictable oil and gas business to fund these opportunities. Policy makers understanding and supporting the need for fiscal policy that enables and endures this model is key to anchoring those businesses in the UK to deliver energy security and economic growth.

What are your current expectations for 2025 versus 2024?

Overall, more supply chain companies expect revenues to increase in 2025 with nearly half (49%) stating they are forecast to be higher, 28% stated they expect turnover to fall versus 2024. The prospects of higher revenues are primarily driven by ambitions to increase international business revenues outside of the UK.

Despite the higher revenues, company margins are being squeezed, with nearly two thirds (63%) expecting higher operating costs. Companies cited workforce and material cost inflation as the key drivers for that increase.

The UK as an investment destination

With strong and consistent winds offshore, extensive natural resources, world leading finance hubs in London and Edinburgh and its track record of innovation, the UK has all

the ingredients to set it apart from many global competitors as a premier destination for inward investment. However, analysis of sentiment in the supply chain paints a different picture.

UK energy supply chain companies see tax rates, political and project uncertainties, operating costs and more attractive opportunities elsewhere as their top challenges in investing in the UK. High tax rates hinder investment and competitiveness, while project uncertainty, often arising from the tax situation, delays investment in supply chain capability and resources.

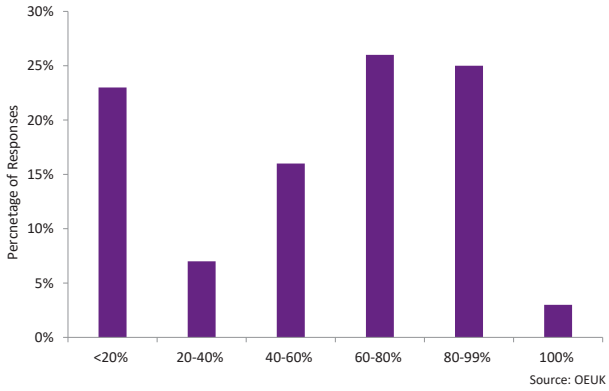
The UK tax regime must be internationally competitive in the long term. Political uncertainty further complicates matters, creating instability and potentially leading to disruptive regulatory changes. Rising operating costs squeeze supply chain profit margins and the lure of more favourable conditions elsewhere exacerbates the challenge of attracting and retaining investment in the UK energy sector.

Since the survey was taken, the world has become a little less predictable and strategies are necessarily becoming more flexible. Nevertheless it is noteworthy that supply-chain companies are more inclined to look for ways to grow their business in the international market, allowing them to offset the uncertainty and lack of business opportunities at home. Many businesses highlighted the importance of new UK oil and gas developments and expansion into overseas markets to their survival prospects.

'What do you perceive to be the greatest challenges in investing in your UK business?'

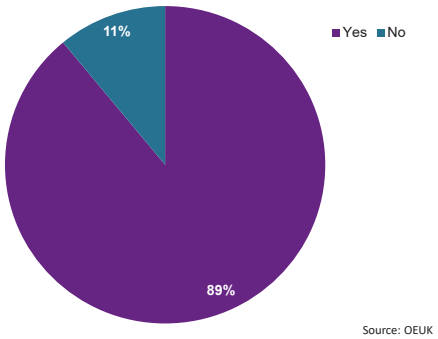
What proportion of your company's revenues comes from UK business?

Figure 3 – Proportion of member's revenues from UK business



Do you have aspirations to increase the amount of non-UK business you do in the next 12-24 months?

Figure 4 – Aspirations to increase the amount of non-UK business



"The next 3-6 months are critical for our sector"

"Diversification into other markets is helping our growth ambitions"

"We have already seen projects delayed or cancelled and planned investments taken elsewhere."

"As a business owner, I cannot grow in an uncertain market."

"Confidence in local and UK prospects is significantly less but internationally we are more positive"

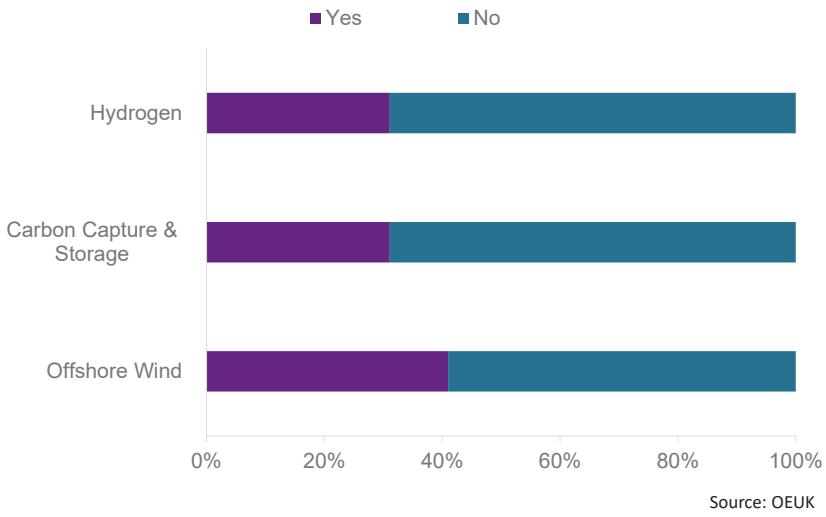
"An outlook of increased opportunities exists, however they are not located in the UK. "

"We are leading the way in delivering small floating offshore wind projects, but they are entirely reliant on oil and gas revenue."

"New oil and gas development will be critical to our success, or we will need to look overseas."

Does your company have sufficient visibility of the business opportunities in offshore wind, carbon capture & storage, and hydrogen?

Figure 5 – Visibility of business opportunities



Source: OEUK

These findings indicate the level of concern across the supply chain, particularly for the significant number of companies operating in or reliant on the oil and gas sector. The prevailing sentiment is one of anxiety and apprehension, with many businesses feeling compelled to look beyond the UK for more promising prospects.

UK offshore energy companies could invest over £200bn over the next 10 years in offshore fixed and floating wind and CCS and unlock the hydrogen economy, while producing oil and gas and meeting our decommissioning commitments. And with supportive government policy and an attractive investment environment, these companies can help the UK reach its ambition of delivering sustainable energy by 2030.

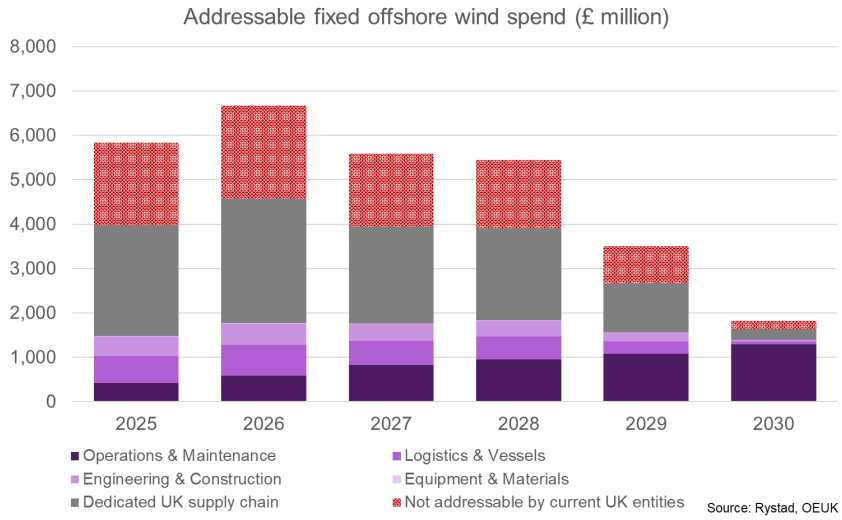
Growth in renewables & CCS

OEUK's survey of the Supply Chain Sentiment reveals that a third expect to see business growth in the near term in renewables and CCS. However, this ambition is tempered by a lack of confidence, stemming from uncertainty surrounding the pipeline of future projects.

While growth is expected, the visibility of the pipeline of work remains uncertain. CCS and hydrogen have the shortest visibility of business opportunities with various factors including planning approvals, financing and technical challenges impacting project schedules.

The scale of investment in the energy sector in the UK and internationally is unprecedented. However, the timing of many of these developments and the basis of their financing is uncertain. Markets are still learning how to price in risk and reward based on the emerging business models which usually involve both public and private finance.

Figure 6 – Contestable fixed offshore wind spend with CfD funding



Offshore wind – an opportunity for the UK supply chain

The UK has been at the forefront of fixed-bottom wind developments, driven by substantial government funding and ambitious capacity targets. It was an early mover in this sector and it had the largest installed capacity base until 2023, followed by mainland China and the Netherlands.

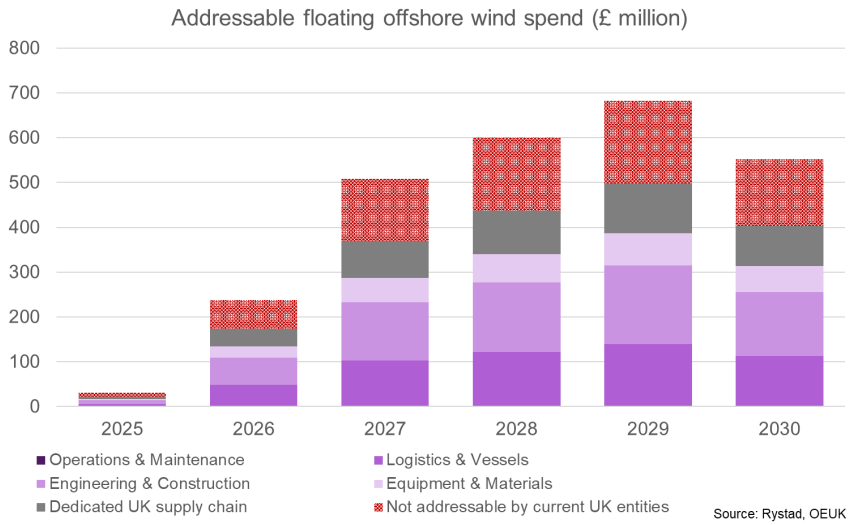
Despite these advantages, a significant portion of the expenditure is still beyond the reach of the UK supply chain. The segments it cannot challenge include turbine equipment such as towers, and monopiles, which are typically carried out by supply chain companies dedicated to fixed-bottom wind. The UK has relied heavily on international companies for critical components like nacelles and export cables, hindering the establishment of a robust domestic manufacturing base.

While the UK oil and gas sector possesses transferable skills and resources, particularly in engineering, logistics and vessels and operations and maintenance (O&M), these capabilities only cover a limited segment of the overall market. Notably, the O&M sector is expected to experience the highest growth rate as existing wind farms mature. Analysis by Rystad Energy indicates that only a fifth (about 21%) of total fixed-bottom wind expenditure is realistically targetable by the UK oil and gas supply chain between 2024 and 2040.

The UK's offshore wind sector is undergoing a dynamic shift, with fixed offshore wind investment slowing and floating wind poised for substantial growth. Pioneering projects such as Flotation Energy's and Vårgrønn's Green Volt represent a major step forward for floating wind in UK waters. They address the twin problems of grid supply and decarbonising the oil and gas sector.

About 57% of the total FOW spend is targetable by the oil and gas supply chain, particularly in areas like logistics and vessels, dynamic array cable installation and foundation fabrication. The UK holds strong capabilities in such key segments as dynamic cables and mooring solutions, enabling it potentially to become a global leader in this technology. The UK's domestic market is projected to capture 36% of global FOW spending and 45% of European spending during this period, signifying a strong first-

Figure 7 – Contestable floating offshore wind spend with contracts for difference (CfD) funding



mover advantage. However, a considerable portion of the spend remains "not contestable" by current UK entities, highlighting the need for strategic investment in innovation, skills and infrastructure.

CCS – UK supply chain opportunity

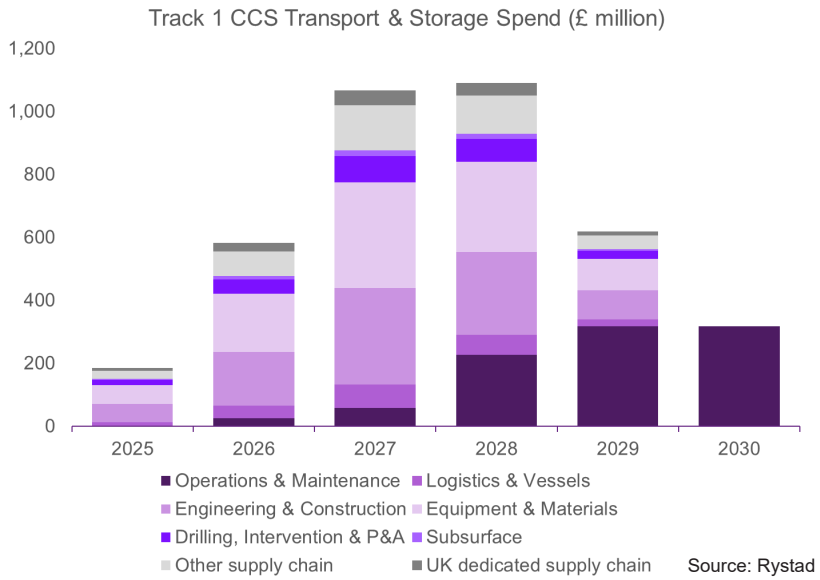
The UK government is heavily investing in CCUS projects, focusing on "Track-1" clusters like HyNet Northwest and the East Coast Cluster. To support these initiatives, the government has committed substantial funding, including roughly £22bn over 25 years, including £3.9bn specifically allocated for CCUS projects between 2025 and 2026. This financial backing aims to establish CCUS hubs, enabling the capture and storage of significant CO2 emissions. This will aid the UK in achieving its net-zero emissions targets and make the UK a leader in CCUS technology.

UK companies with expertise in large-scale infrastructure projects, including pipeline construction and storage facility development, are well-positioned to capitalise on the engineering and construction demand. The growing need for specialised components like valves, compressors and monitoring equipment within the equipment and materials segment creates opportunities for UK manufacturers.

Furthermore, logistics and vessel operators can anticipate steady demand for CO2 transport and port infrastructure. While drilling, well intervention, and plugging and abandonment services, particularly those related to offshore storage, exhibit fluctuating demand, they remain crucial, leveraging the oil and gas supply chain's existing rig and drilling service capabilities. Subsurface expertise in geology and reservoir engineering is also essential. As projects mature, operations and maintenance will become increasingly important, requiring a skilled workforce for plant upkeep and monitoring.

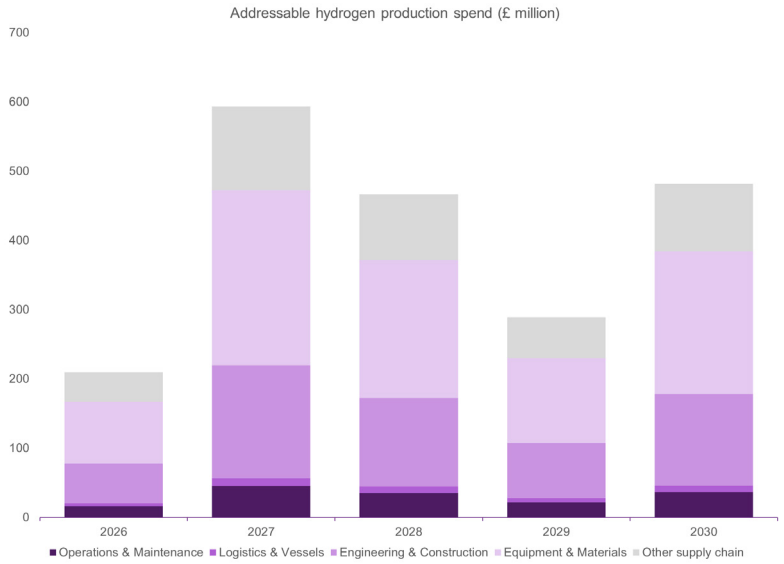
Notably, about four fifths of the domestic UK market for CCS technology and skills can be addressed by the oil and gas supply chain, with the remaining fifth comprising specialised areas like carbon capture equipment, maintenance, and CO2 shipment services.

Figure 8 – Contestable CCS track 1 transport and storage spend



Source: Rystad

Figure 9 – Contestable hydrogen production HAR1 project spend



Source: Rystad

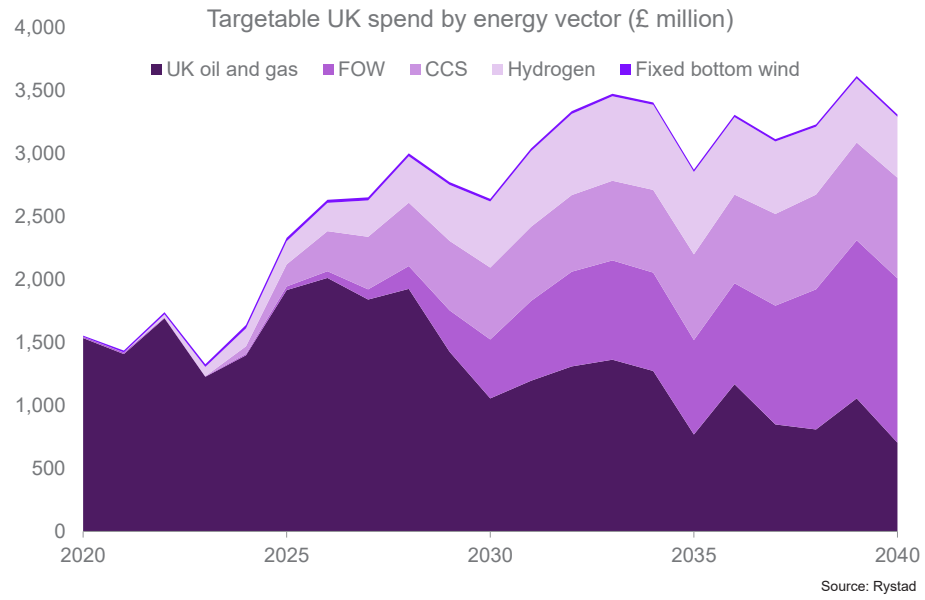
Hydrogen – UK supply chain opportunity

The UK government's Hydrogen Allocation Round 1 (HAR1) is a significant initiative aimed at fostering a low-carbon hydrogen economy, with £2bn in government funding allocated for subsidies over 15 years, and an additional £90mn from the Net Zero Hydrogen Fund supporting construction.

Eleven electrolytic hydrogen projects across England, Scotland, and Wales have been selected, and this funding aims to unlock over £400mn of private investment and generate over 700 jobs, marking a crucial step towards the UK's 2030 clean hydrogen capacity goals.

There is a promising outlook for the UK supply chain in the hydrogen production sector. About 70% of the contestable market is concentrated in capital-intensive segments, specifically engineering and construction, and equipment and materials, areas where UK firms possess moderate to strong capabilities.

Figure 10 – Contestable Equipment & Materials spend
Source: Rystad – UK oil and gas supply chain and opportunities in the energy transition.



The UK's prominent position in Europe also positions it as a key hub for developing European hydrogen value chains, particularly in blue hydrogen, with potential for entities to establish their European operations within the UK. While the UK will account for about 2% of global hydrogen spending between 2025 and 2030, it is leading in European blue hydrogen development.

Resource Challenges: An Industry in Action

Demand for equipment and materials is expected to grow at 4% compound annual growth rate from 2024-2040, reaching £3.3bn in 2040. Dynamic cables and mooring lines will be a big part of this, for new floating offshore wind capacity. Growth is further elevated with CCS and hydrogen projects creating substantial demand for materials and metals and major equipment such as compressors.

Many of the key components for oil and gas and renewable energy technologies such as steel and specialised valves are subject to global supply chain constraints, which can lead to shortages and extended lead times. The UK offshore wind sector is experiencing increasing demand for turbines, installation vessels, subsea cables, and specialized components. This demand is driving competition for manufacturing capacity, skilled labour, and port infrastructure.

Inventory Sharing Network

Together with industry, OEUK is driving initiatives to help the supply chain help itself in the face of some of the challenges outlined above.

OEUK has established an inventory sharing network which connects material and inventory managers across its membership. The network is a distribution list that provides

an effective communication method to encourage the industry to embrace equipment sharing, to improve efficiency, reduce waste and avoid downtime and associated costs.

OEUK members have used the tool to address requests for a variety of equipment including piping, compressors and valves. In 2024, 75 individual requests were submitted via the network. Sharing materials via the network has saved a lot of money and time and supports the goal of a circular economy.

Working together on scheduling projects and sharing plant makes the industry more competitive.

Inventory Sharing Network Success Story

Challenge: A floating production storage and offloading (FPSO) vessel required a valve replacement for its gas turbine at short notice.

Next step: A check of the company's stock revealed no valves were available and suppliers quoted lead times exceeding 30 weeks.

Action: The company contacted OEUK's Inventory-Sharing Network and received a response from a different company which had the valve in stock.

Solution: The valve was delivered offshore less than a day later.

Benefit: The company produced 10mn barrels of oil equivalent sooner, improving cash flow as this production was worth around £900,000/day.

OEUK & Offshore Norge collaboration

The UK offshore supply chain could learn from leading examples of impactful cross industry collaboration that is common overseas such as the digital Collabor8 platform pioneered by Offshore Norge, a trade association for offshore energy companies in Norway which is similar in its scope to OEUK.

The tool is revolutionising the Norwegian oil and gas industry by fostering a digital space for enhanced co-operation and efficiency. Companies use this platform to collaborate on projects, share important knowledge and access tools such as the innovative Virtual Inventory. This shared database of equipment and materials allows operators to quickly locate critical items, optimise resource use by avoiding unnecessary purchases by reusing equipment. Ultimately, Collabor8 fosters a more interconnected and efficient industry.

The Virtual Inventory tool provides a centralised database with information about the availability of parts, equipment and materials, enabling informed decision-making and rapid response to urgent needs. Its user-friendly interface and Critical Material Request functionality streamline operations and facilitate communication between operators. By promoting collaboration, cost savings, and environmentally responsible practices, Collabor8 and its Virtual Inventory tool are proving invaluable to companies seeking to thrive in a competitive and evolving energy landscape.

OEUK is working collaboratively with Offshore Norge to pilot this tool with a small selection of UK based members who are operators. This is with the long-term view of enabling the sharing of inventory in the North Sea and beyond for the benefit of the energy sector including oil and gas, offshore wind, CCS and hydrogen.

J+S SUBSEA

J+S Subsea's Legacy Locker initiative marks a decisive shift in the way companies approach aging subsea assets in the North Sea. It aligns with the Offshore Energies UK (OEUK) Supply Chain Principles and the objectives of environmental, social, and governance (ESG) reporting.

The Legacy Locker is a unique amalgamation of services. Instead of providing off-the-shelf solutions, it invites clients to present their problems, allowing J+S Subsea to work closely with them to develop tailored solutions. This could involve re-making, recertifying or reusing equipment; joining a shared asset scheme for borrowing or replacing parts; or creating replacements. This flexibility not only shortens lead times but also cuts costs and risks significantly. This is all the more important when operators have to meet tight deadlines and often with lower budgets and every additional barrel counts.

The shared asset scheme enhances supply chain efficiency, enabling operators to access needed components quickly.

Where that is not possible, reusing and remanufacturing existing equipment not only extends asset life but also minimises waste, contributing to a more sustainable, circular subsea industry.

Legacy Locker also contributes to the UK's net-zero ambitions. It has begun to quantify the carbon savings achieved through reuse, a critical component of both J+S Subsea's and their clients' ESG reporting. Legacy Locker significantly lowers the carbon footprint associated with subsea operations.

Legacy Locker promotes open and collaborative practices in the traditionally closed sector of offshore oil production and this is recognised by many operators. By extending a field's productive life, Legacy Locker not only secures jobs in the industry but also keeps them local to the northeast of Scotland – vital in the context of energy security, in light of tensions globally and with a still immature renewable energy industry.

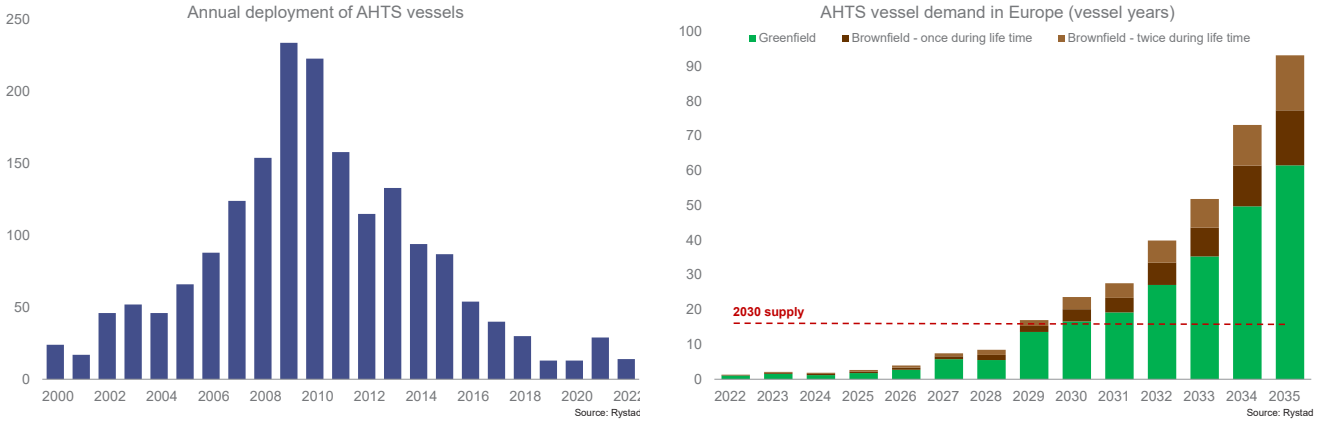
But the challenges it addresses are also present in regions with similar water depths and ageing assets. J+S Subsea is already exploring opportunities to deploy the Legacy Locker elsewhere to demonstrate its scalability and global relevance.

In an industry where equipment obsolescence often leads to costly replacements, Legacy Locker offers a sustainable alternative by creatively refurbishing and re-engineering components. This works very well for late-life assets, where it would make little economic or environmental sense to start from scratch.

Where feasible, Legacy Locker remanufactures and recertifies parts, bringing them back up to modern standards and safety compliance, in keeping with the objective of a circular economy. Where reuse in its original form is not possible, Legacy Locker tries to find alternative functions for a component. Re-engineering these parts maximises the value extracted from each component for as long as possible. This is testament to J+S Subsea's deep industry expertise and commitment to innovation.

Figure 11 - AHTS vessel supply & demand

Source: Rystad - UK O&G supply chain opportunities in the energy transition



Vessel-sharing

Rystad's report on the UK oil and gas supply chain and opportunities in the energy transition illustrates that UK supply vessel demand is expected to soar throughout 2040, largely driven by anchor-handling tug supply (AHTS) demand in the expanding floating offshore wind market. The shift towards the renewables sectors such as floating wind will require a significant adaptation of the UK's vessel landscape. This upswing will necessitate a 2.7-fold increase in the supply chain's capacity to meet new project requirements.

The ageing fleet of AHTS is less likely to meet modern specification requirements. There will be a significant gap in the supply of suitable vessels unless orders are placed or dedicated vessels are built. Their workload includes towing out floating substructures, hooking up and installing mooring lines and anchors and potentially even transporting structures between countries.

Competition between the offshore energy sectors is set to intensify, with the floating offshore wind industry competing with the oil and gas sector for AHTS vessels, particularly those with suitable pulling power and deck space.

To address this intensive competition for AHTS resources across oil and gas plus new energies including floating offshore wind, OEUK is working with industry to drive greater cross sector collaboration and develop a mechanism that enables companies to efficiently share vessels. Together with members, OEUK is establishing a vessel-sharing framework agreement to enable operators, developers and vessel owners to improve efficiencies further.

PETERSON ENERGY LOGISTICS

Peterson Energy Logistics has been transporting critical resources for the energy industry for over 50 years. Employing 850 people globally, it is responsible for delivering reliable, innovative, data-driven solutions enabling time, cost, and environmental efficiencies.

Its Lighthouse software, launched in 2012, digitises the end-to-end logistics supply chain for its internal teams managing client contracts. It is also offered to external clients on a 'software as a service (Saas)' model. Lighthouse empowers intelligent business decision-making, ensuring users understand the full value of their data.

The team recently built an optimiser to semi-automate the cargo planning process, using the expertise of Peterson's in-house transport controllers to understand the huge variances and complexities of transport operations. It partnered with data analytics and AI consultancy Blend to bring this project to life.

Initial efforts focused on improving the key data points and metric calculations used to form the optimisation solution, generating reliable outputs for the transport team.

The next step was to design and build an optimiser to automate planning trailer loads from the pool of cargo requests received through Lighthouse. The transport team approved or amended these within Lighthouse's logistics suite.

Planning software had already sorted the cargo into groups before advanced data science techniques determined the optimal cargo plan, drawing on such information as pick-up locations, required collection times, hazardous chemical information, as well as other relevant information about the cargo and its journey.

Continuous assessment and feedback from the Transport team during development kept the focus on accuracy and feasibility, while ensuring that the solution suited the team's way of working. The team therefore had a clear understanding of how the optimiser worked and had a sense of ownership.

The optimiser was built using best-in-class technology, such as Databricks. The architecture was decoupled from Lighthouse's, allowing the optimiser to act as a bespoke addition without impacting any other parts of the client's system. Since deployment there have been no production failures.

As a final step, a reporting dashboard, built in Power BI, was overlaid on the

optimiser giving real-time visibility of acceptance rates, overall fleet efficiency and other key statistics. The continuous improvement this enabled also put a value on the improvements the optimiser had delivered.

Benefits of the solution

Before the optimiser, Transport Controllers would spend upwards of an hour planning trailer loads for the rest of the day. The manual effort has now been cut to less than five minutes.

The optimiser decides which cargo goes on which trailer, which is then approved by a Transport Controller. The load acceptance rate has averaged an impressive 88%. Retaining an expert in the loop provides oversight of outputs, derisking the automated plans, and providing reassurance for the transport team.

The optimiser has also made the most of trailers, cutting CO2 emissions by a tenth through better allocation of loads. This is crucially important to Peterson's sustainability and its commitment to reach net zero emissions. If applied to the wider industry, the impact would be hugely beneficial.

There is also less need for subject-matter experts. The onboarding experience for new employees is more straightforward and the technology frees up controller's time to focus on higher-value tasks.

Conclusion

This project is a great example of using innovative technology to cut waste and improve operational efficiencies in traditional industries. The optimiser's development and implementation highlight the significant benefits of applying advanced data science and cutting-edge technology to logistics planning, ultimately supporting Peterson's strategic goals and enhancing the overall business performance for itself and clients.

SECTION 4:

STRATEGIC SUPPLY CHAIN PRIORITIES

4

Creating an Attractive Commercial Environment

We need to help our supply chain compete with the rest of the world for investment – so this sector must be backed with policies that are globally competitive to attract and anchor firms, people and capital in the UK.

Fair contracting practices and a collaborative mindset are key factors to help ensure the supply chain is healthy and prosperous. Good procurement practices across the economy are essential for fostering an attractive business environment. Good procurement practice includes the need for risk and reward to be borne appropriately, effective dispute resolution, early engagement with the supply chain and prompt invoice settlement.

OEUK works with the industry to ensure commercial good practice and has developed tried and tested initiatives to ensure these are maintained and updated to meet current requirements. These frameworks include the Supply Chain Principles and a regular survey to measure companies' adherence to the principles.

Supply Chain Principles

OEUK's Supply Chain Principles were written by industry for industry and define good procurement practices. By promoting and implementing these principles, the UK energy sector can create a more resilient supply chain.

Working as One Survey

OEUK issues the biennial Working as One survey to measure industry performance against the Supply Chain Principles. The survey provides the opportunity for purchasing organisations to receive anonymous constructive feedback from their supply chain and support continuous improvement. The energy sector needs to remain an attractive proposition for these companies. OEUK will use the data to ensure the industry adheres to the Supply Chain Principles and all that they stand for.

In 2023:

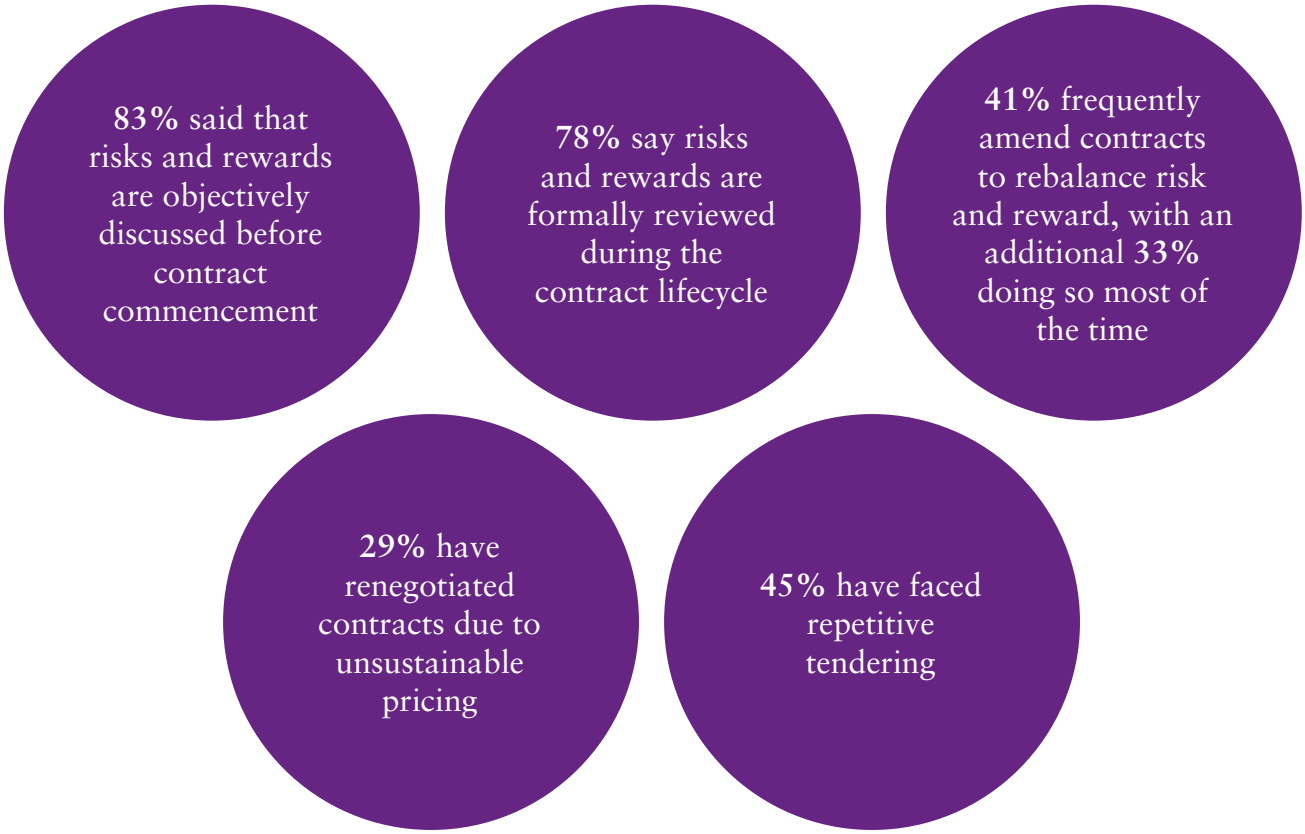
- 23 companies participated in the survey, representing 81% of UKCS production activity. These were 17 operators and six large contractors.
- 409 supply chain companies responded to the survey with each purchasing company receiving 17 responses on average from their supply chain.

A Working as One Insight has been published with the full survey findings and dashboard.

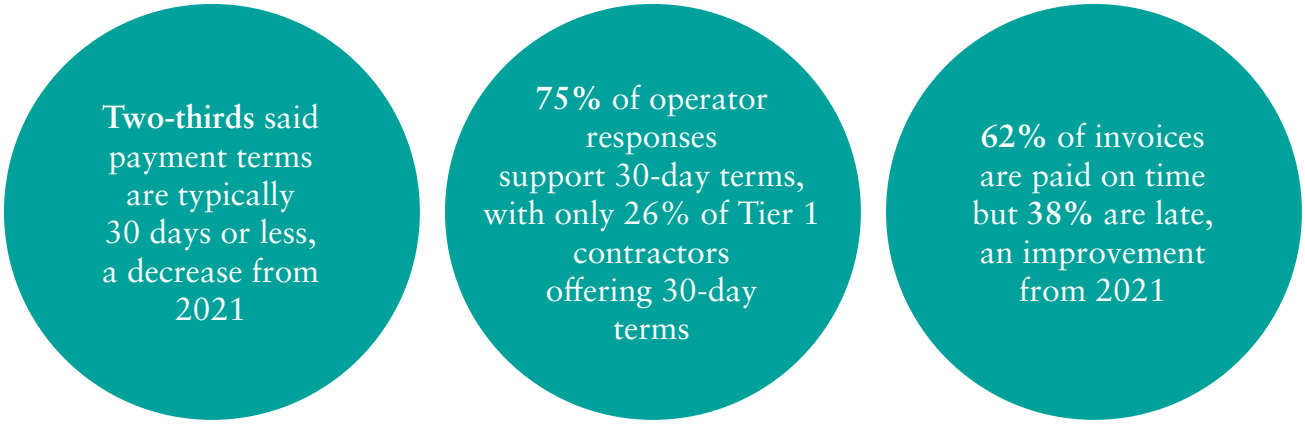
Summary of key findings:

A significant proportion of survey respondents (92%) agreed that the Supply Chain Principles were widely understood within their organisation, 9% more than in 2021. There are positive signs that the principles have made a strong impression on a broad section of the industry including operators, large contractors, and SMEs.

Fair balance of risk and reward



Improving payment performance



Openness to innovation

84% believe value was added through innovation, while 16% said customers were cost-focused

86% were invited to present new innovative ideas in tenders

78% said the tender process allows alternative proposals

Encouraging Adherence to the Supply Chain Principles

Supply chain feedback improves procurement behaviour

Buyers that participated in the survey received an individual company report with anonymised feedback from their suppliers. The report highlighted the Supply Chain Principles that they performed best at and those that would benefit from remedial work. Each company also had a peer group ranking, showing where their position relative to fellow operators and large contractors. OEUK continues to work with these organisations to ensure they are a customer of choice

Supply Chain Principles Awards

The Supply Chain Principles Awards, based on the Working as One survey results, celebrate purchasing companies who had the best feedback from their suppliers and demonstrated exemplary commitment to the principles. There were 10 Gold, 9 Silver, and 4 Bronze awards at Share Fair 2024. Encouragingly the number of Gold winners has doubled since the 2023 awards.

Supply Chain Principles Awards, Purchasing organisations are presented with a Gold, Silver or Bronze award dependent on the feedback from their supply chain which evaluates their adherence to the Supply Chain Principles

Supply Chain Management Good Practice

The Working as One survey sheds valuable light on industry procurement practices. OEUK has established member working groups to build on this to develop good practice for the benefit of the entire energy sector. The groups comprised companies of all sizes from operators to micro-organisations, who shared their own expertise and reached consensus on good procurement practice. The good practice guide below promotes consistency, collaboration, and open communication to enhance industry-wide procurement standards and help contribute to creating a positive commercial environment.

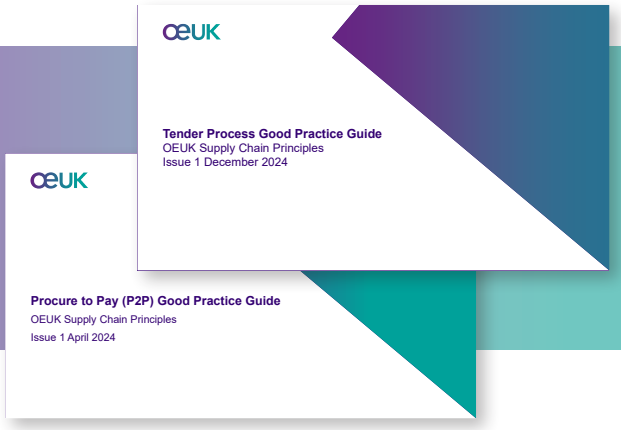
Procure to Pay Good Practice Guide

This guide promotes good contracting practice, ensuring consistency in managing the Procure to Pay (P2P) process and on-time payment to suppliers.

Tender Process Good Practice Guide

This guide provides essential good practice principles to ensure fair, transparent, and efficient tender processes across the energy sector. It offers a clear framework for managing procurement activities, balancing risk and reward between buyers and suppliers. Designed for both buyers and suppliers, this resource supports effective tendering practices that deliver value, clarity, and mutual success.

'Procure to Pay Good Practice Guide' and 'Tender Process Good Practice Guide' are two new supply chain titles availble via our website: www.oeuk.org.uk/guidelines



CENTRICA ENERGY STORAGE+

Centrica Energy Storage+ (CES+) is a vital part of the Centrica family, managing the Rough gas storage facility offshore Yorkshire, with half the UK's gas storage capacity, and the Easington onshore terminal that it uses. Its ambitious vision includes transforming it into Europe's largest long-duration hydrogen storage facility. This will enhance energy security and reduce environmental impacts by supporting hydrogen production projects nationwide.

In June 2024, CES+ held a Vendor Engagement Day in Hull to strengthen relationships with companies in its existing and future supply chain and to explore the innovative solutions they have to offer.

The Supply Chain Principles featured prominently throughout the event. CES+ was awarded a Gold Award for its adherence to them and shared the findings of its Working as One survey with the supply chain.

CES+ used the opportunity to explain the importance of these principles and reflect on the survey results. They focused on key areas and where there were opportunities to drive continuous improvement. This was demonstrated with a Procure-to-Pay themed workshop in the afternoon, where CES+ asked supply chain partners for constructive feedback on ways to improve the process to support stronger business relationships.

Trine Thomsen, Finance Director said: "We were so proud of achieving gold in the Supply Chain Principles, but we wanted to make sure we actually used the feedback to constructively improve. Our Supplier Day was a great opportunity for us to share our business strategy with the supply chain and it also gave us a chance to have some two-way feedback on how to be a better customer.

"We focused on the purchase-to-pay process because this was an area we scored lower on, and we wanted to talk collaboratively about how to make this better. This year we successfully achieved prompt payment code compliance. This was a fantastic result. This practice enables us to have a really strong relationship with our supply chain so that together we can do amazing things, supporting the energy transition and energy security for years to come."

Working as One Survey 2025:

The Working as One Survey will be conducted again in 2025. OEUK invites companies within the UK's offshore energy sector to register and participate to measure adherence to OEUK's Supply Chain Principles and play their part in helping ensure the UK remains an attractive commercial environment for the supply chain.

Register to participate here by 30th of April 2025:

Alliance Contracting

Alliance contracting is a compelling alternative to traditional procurement methods. It offers a range of potential advantages owing to the formation of an integrated team where both client and key contractors are represented. This structure encourages open communication, joint problem-solving, and a focus on achieving the best overall project outcome, rather than individual company objectives.

One of the most significant benefits of alliance contracting lies in its potential to improve project delivery. By aligning the interests of all parties, it incentivises efficiency, innovation, and a proactive approach to risk management. Furthermore, the shared risk/reward mechanism encourages all parties to work together to minimize costs and maximize value, as everyone benefits from the project's success.

Another key advantage of alliance contracting is the development of stronger, more sustainable relationships between the client and its contractors. The emphasis on trust, mutual respect, and shared objectives creates a more positive and productive working environment. These long-term relationships can lead to a deeper understanding of each other's capabilities and constraints, fostering greater collaboration and efficiency on future projects.




OEUK Alliance Contracting Workshop

Following feedback from members about concerns relating to lump-sum contracts and lack of supplier engagement in low-margin energy projects, OEUK held an in-person half-day workshop on Alliance Contracting at its Aberdeen office in November 2024 (*see images above*). There were some 50 attendees from the supply chain – a good cross-section of the energy industry.

The three top take-aways were:

- Collaboration must be based on a commercial framework that creates a "win-win or lose-lose" environment
- People's behaviour and mindset are at the heart of the solution
- Top management of all partners must be systematically involved from the start with all levels of the organisation represented.

As a necessary outcome of this workshop, OEUK is working on engaging with a cross-section of members representing Legal, Contracts & Procurement, as well as financiers and regulators to gain a broader understanding of what Alliance Contracting implementation would entail for our industry. This will lead to a set of guidelines, written together with our members on how to best implement alliance contracting principles across the energy industry.

LOGIC – Collaboration to Improve Cost Effectiveness

Celebrating its 25th anniversary in 2024, OEUK's not-for-profit subsidiary LOGIC has delivered significant cost savings for the energy industry. It champions collaborative working to increase efficiency and facilitates shared services as follows:

Vantage POB is a long-standing, industry-wide system that tracks personnel and their certifications. It improves safety by ensuring everyone going offshore is qualified. It boosts efficiency by streamlining logistics and enhances emergency response by providing a single source of personnel data. Developed collaboratively, it benefits the entire sector.

Master deed is a legal agreement used in the UK oil and gas industry to simplify the transfer of assets, such as equity stakes in an oil field.

The Industry Mutual Hold Harmless deed (IMHH) simplifies liability and insurance for companies working on offshore energy projects. Participating companies agree to take responsibility for their own personnel and equipment, regardless of who causes an accident. This eliminates complex legal battles and allows for more efficient insurance practices. The scheme covers various energy sectors including oil, gas, wind, and carbon storage in the North Sea and Irish Sea. It is a long-term agreement with the current phase running from 2022 until 2031.

Flightshare allows companies operating in the North Sea to use empty seats on helicopter flights. This is managed through a legal framework that ensures proper payment and liability coverage. LOGIC administers the service, including signing up companies and maintaining records. It helps companies share helicopter flights safely and legally.

Helimet is a shared weather information system used by the UK offshore energy industry to improve aviation safety. Companies share and validate weather data, which is then used by helicopter operators. It's so effective that the Civil Aviation Authority, the regulator, has made it mandatory.

SEQual is an industry-led supplier prequalification platform designed to improve procurement in the offshore energy sector. Launched in 2021, it connects buyers and suppliers. Suppliers can showcase their qualifications and buyers can quickly browse the lists of suitable partners. This reduces risk and improves supply chain management.

Standard Contracts reduce negotiation time and simplify processes. The suite of 11 agreements cover a broad range of offshore operations including marine construction and decommissioning and are widely used across the contracting community.

Standard Contracts for Offshore Wind

A set of standard contracts could have a similarly beneficial effect on the offshore wind industry, removing unnecessary transaction costs and boosting competitiveness. The negotiation of bespoke agreements often requires significant time and resources of contracting parties. Standard contract can foster better collaboration between developers and contractors by reducing the need for agreeing on terms and conditions.

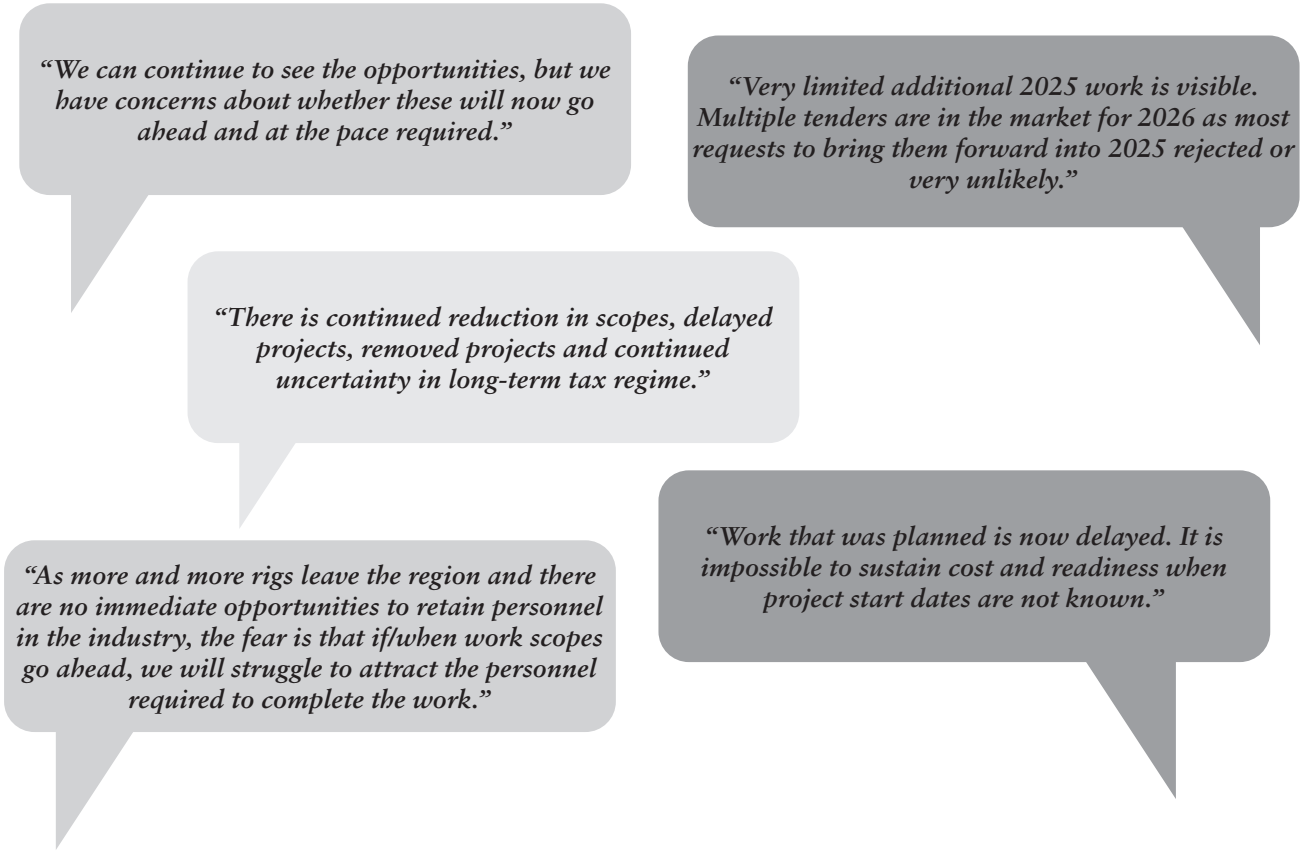
Whilst the sector is seeking to attract new business into the supply chain, these organisations can experience barriers and be unfamiliar with the sector-specific technical risks, commercial structures, and contract forms. The balance of risks and rewards is often tilted against smaller companies with limited legal and operational experience.

The prevailing project financing model often necessitates the transfer of risks down the supply chain, ultimately burdening smaller suppliers. In addition, the highly competitive nature of the supply chain leads to liabilities being passed down until they come to rest with businesses that are not able to absorb them.

OEUK is leading a task group formed with wind developers, contractors and legal firms to draft a suite of standard contracts for the offshore wind sector. The group has made positive progress and aims to publish its first contract in 2025.

Visibility of opportunity

Demand visibility is a key factor for identifying resource gaps and ensuring supply chain organisations can invest with certainty to build at scale and remain competitive. OEUK's supply chain member sentiment survey reveals considerable concerns for companies trying to gain long term visibility and certainty of the project pipeline across the energy sector:



As a result, supply chain organisations are considering moving resources into different into markets, which offer greater predictability. Large companies with a global presence have to decide where to concentrate their resources. Key projects, operators and developers must work closely with the supply chain to provide visibility and certainty of work, or the supply chain will leave.

Suppliers responding to OEUK's Working as One survey said it was difficult to build accurate demand forecasts, with over a third (36%) stating that they do not regularly receive customer activity forecasts and forward work plans. This has a direct impact on the supply chain's ability to adequately plan and effectively resource to meet the demands of their client base.

70% of those that do regularly receive forward work plans from customers said they were often highly reliable (over 80%) and valuable in supporting their business resource and investment planning. This shows the importance of customers frequently engaging with the supply chain to share their contracting and activity plans.

Maintenance Shutdown Calendar

OEUK has established a Planned Maintenance Shutdown Workshop which meets regularly to discuss industry maintenance scheduling requirements for turnarounds (TARs) and shutdowns. Operators submit their planned maintenance schedules to OEUK. By aggregating the data into a visible calendar, we can provide advanced notice to the supply chain of the expected activity levels. It enables an open dialogue between operators and the supply chain on capacity challenges during the busier summer months and ensures constructive conversations suitable scheduling to ensure a steady pipeline of work. OEUK is currently collecting the 2025 data.

Energy Pathfinder

The NSTA's Energy Pathfinder platform freely provides real-time visibility of supply chain opportunities in oil and gas field developments, decommissioning work, offshore wind and CCS projects.

A one-stop shop for upcoming contracts for the supply chain, offering valuable information about the pipeline of projects.

Share Fair – Illuminating Business Opportunities for the Energy Supply Chain

OEUK encourages suppliers and their potential clients to engage early for effective collaboration. Organised with the support of North Sea Transition Authority, OEUK hosts an annual Share Fair event in Aberdeen (*see image below*). The event focuses on giving supply chain companies and technology innovators access to invaluable market intelligence plus opportunities to network with key industry buyers.

For operators, developers and major contractors, Share Fair raises awareness of the expertise, innovative products and specialised services on offer and this year it will also include organisations with an interest in low-carbon energy and CCS.

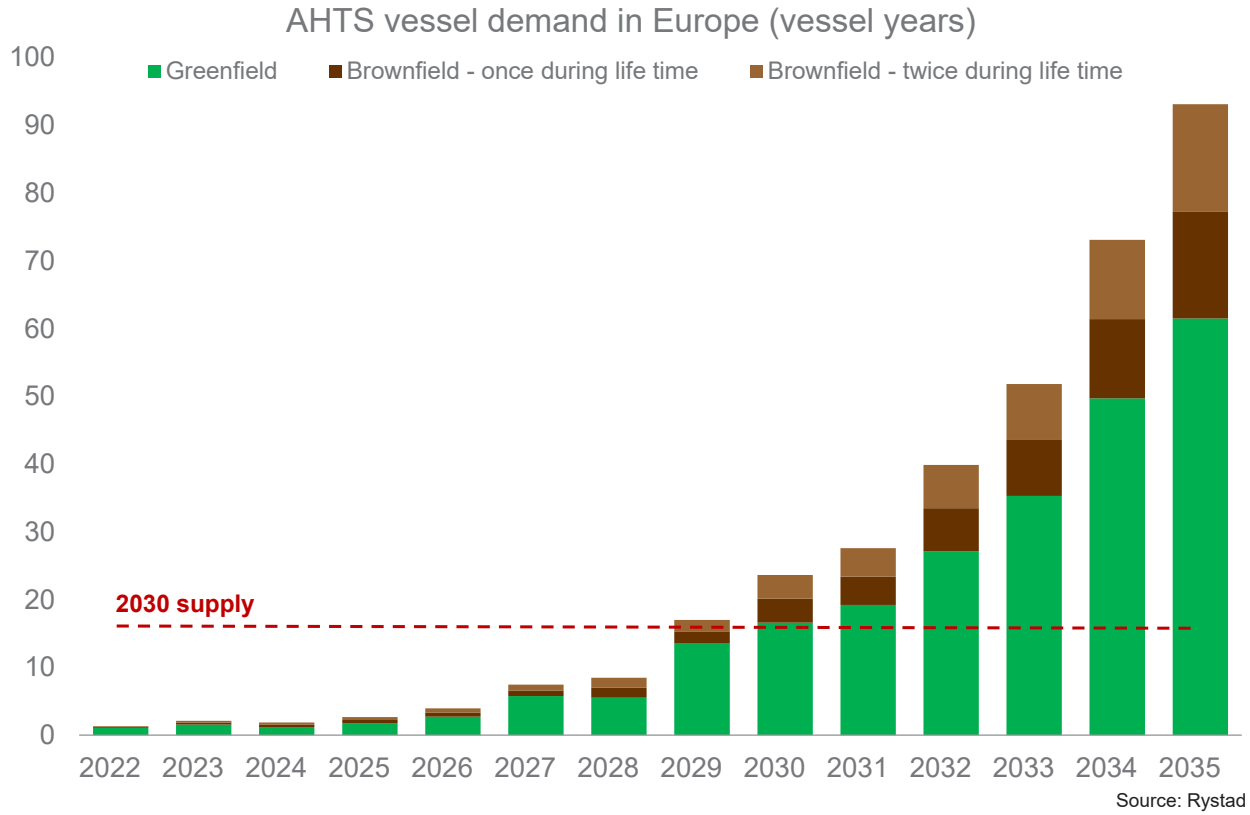
David Hutton, Senior Manager Strategy & Consulting for Reed & Mackay, comments:

"As a corporate travel and events management company working within the energy and marine sector, attending Share Fair 2024 was a very important event for us. The event's 1-2-1 meeting format, offering four pre-scheduled, well-targeted 15-minute appointments, was a useful and efficient way to connect with key industry players across a wide spectrum of energy sectors.

"One of those initial conversations led to us successfully winning work with a key major operator, which confirms the unique opportunities this supply chain event provides. This year, we're thrilled to attend both as delegates and as an exhibitor, because Share Fair attracts the right audience for us. It's become an essential event for our business growth and networking."

Supply Chain Strengths and Opportunities

Source: Rystad – UK oil and gas supply chain and opportunities in the energy transition



Supply chain strengths and opportunities

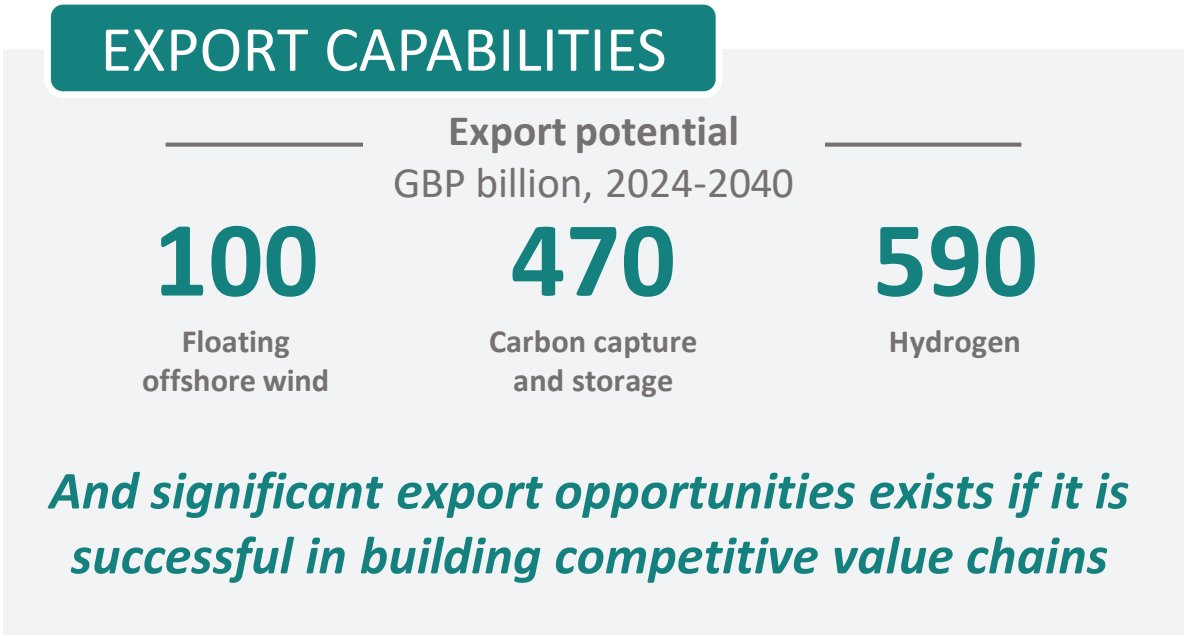
The UK energy supply chain is set to undergo a significant transformation. Its experience of oil and gas puts it in a strong positioned to play a crucial role the potential to expand into international markets.

Domestic opportunities and challenges

The renewables and CCS sectors are expected to generate £150bn between now and 2040 presenting a significant opportunity. But this shift also presents challenges, as it requires the supply chain to adapt and scale rapidly to meet the demand. The success of these depends on the extent to which the oil and gas supply chain will have the capacity to deliver. This makes it essential that it is kept in good working order and invests in new capability. Rystad's 'UK O&G supply chain opportunities in the energy transition' commissioned by OEUK revealed a 60-80% capability overlap in offshore wind, carbon capture & storage and hydrogen.

It will not be easy for the supply chain to make the change. One problem will be how to rapidly scale up capabilities in areas such as building and assembling offshore structures and onshore facilities, making major items of equipment and offshore vessels. There is also a shortage of final investment decisions (FIDs). This creates uncertainty and hinders investment in new supply chain capacity. Additionally, the UK supply chain faces competition from international players, particularly in segments with global value chains.

Source: Rystad – UK oil and gas supply chain and opportunities in the energy transition



Notwithstanding, the UK has several advantages that can help it succeed in the new energy sectors. It is an early mover in floating offshore wind, CCS and hydrogen, giving it a head start in developing expertise and capturing market share. The UK government has set ambitious targets for new energy deployment and is providing financial and other support. Furthermore, the UK is home to several key enabling technologies for the new energy sectors, such as electrolysers for hydrogen production and carbon capture equipment for CCS.

Global Opportunities and Challenges

The UK has significant export potential in the new energy verticals, with the largest contestable markets being hydrogen and CCS. Accumulated spending could reach £590bn and £470bn respectively, between 2024 and 2040. This is a substantial opportunity for the UK to become a leading exporter of these technologies. However, the supply chain must be competitive on cost and efficiency, meaning higher productivity more automation and advanced manufacturing.

The UK supply chain faces challenges in competing globally. International competition is fierce, with established players in countries such as China and the US vying for market share. To be competitive, the UK supply chain must focus on developing and commercialising cost-effective technologies and improving efficiency and productivity. Additionally, accessing new markets means companies need to navigate different regulatory environments and build relationships with international partners.

Despite the challenges, the global market for new energy technologies is expanding rapidly, with countries investing in low-carbon solutions to meet their climate targets. This creates significant export opportunities for UK companies with expertise in these sectors. The report identifies hydrogen and CCS as the largest contestable markets, with a combined potential spending of over £1 trillion between 2024 and 2040. The UK's early-mover advantage in these sectors, coupled with its strong capabilities in molecule handling and deepwater projects, gives the supply chain a relatively strong hand overseas.

Technology and innovation

The UK's energy sector is underpinned by a technology-rich supply chain. This supply chain built with decades of oil and gas experience has developed advanced capabilities and solutions highly relevant to renewables and CCS. The North Sea Transition Deal (NSTD) recognises the importance of this technological expertise and innovative mindset, with a 30% local technology content commitment.

To achieve this, it will require more than just transitioning existing technologies; it involves fostering innovation to ensure the UK remains competitive. Strategic government support and investment in technology and innovation are essential. Mechanisms such as the offshore wind Clean Industry Bonus must boost domestic capability to avoid increasingly importing the products, technologies, and skills.

Renewable energy projects often have different investment cycles compared to oil and gas, which can hinder early-stage technology development. Therefore, targeted interventions are necessary to de-risk investments, encourage collaboration across the supply chain, and provide access to appropriate funding mechanisms. By prioritising technology and innovation, and actively supporting the supply chain, the UK can gain a leading advantage in a global market and capitalise on significant export opportunities.

Supply Chain Investment Task Force

OEUK has established a Supply Chain Investment Task Force which supports the objectives of the Business Growth & Transformation forum. The task force was set up to facilitate industry collaboration and co-coordinate investment in stimulating the supply chain.

The overarching aim is to drive forward the performance and success of the energy supply chain as it addresses the energy transition.

The Task Force will:

- Strive to accomplish the stated aims of the North Sea Transition Deal.
- Identify routes to early supply chain investment.
- Provide strategic input on actions required to build competitive local supply chain.
- Steer strategic focus areas.
- Identify investment overlaps and shortfalls and gaps between supply and demand.
- Provide updates on routes to investment.
- Provide updates on supply-chain capability/capacity gaps

Enabling the energy transition

Ports play a crucial role in enabling the transition, including oil and gas, fixed-bottom wind, floating offshore wind, hydrogen, and carbon capture and storage (CCS). They serve as essential infrastructure for the transportation, logistics, and operations of these industries and for end-of-life decommissioning.

For the oil and gas sector, ports support the transportation of offshore equipment, materials and personnel. In the fixed-bottom and floating offshore wind industries, ports are vital for the assembly, staging, and deployment of wind turbine components. Ports will

ASSOCIATED BRITISH PORTS

The Lowestoft Eastern Energy Facility (LEEF) is a £35mn state-of-the-art redevelopment project in the Outer Harbour at ABP's Port of Lowestoft. Opened by the Secretary of State for Energy Security and Net Zero, Ed Miliband, in January 2025, LEEF is strategically positioned to support the offshore energy industry in the southern North Sea and specifically Lowestoft's position as an onshore hub for offshore energy.

Designed to meet the growing demands of the offshore energy industry, the facility boasts 345 metres of quayside, with deep-water berths capable of accommodating a wide range of vessels. Further it offers up to 8 acres (3.23 ha) of operational and storage space for a range of purposes including covered and open storage, marshalling and equipment laydown.

The facility also includes berths for six crew transfer vessels (CTV), each equipped with essential utilities such as water, power and fuel.

The facility's infrastructure is future-proofed to support alternative fuels and shore power, aligning with ABP's commitment to sustainable operations.

Construction

ABP contracted the construction firm McLaughlin & Harvey (McL&H) to build the facility and were officially deployed on site in September 2023. The project was built rapidly, within budget and to high standards of health and safety. Examples of these novel approaches include:

- An artificial-intelligence based safety system that identifies people in danger zones near moving plant and machinery;
- A unique two-stage design and build contract, which ensured high-quality design before the rapid construction phase; and
- A tendering process that placed 15% of the budget with local suppliers.

The construction stage of this project also had a reduced environmental impact. The demolition works reused about 2,300 m^3 of material, saving 34.51 metric tonnes of CO2e on this operation alone. That is equal to 230 lorry loads of waste that ultimately would have ended up in landfill. Furthermore, about 300 steel tube piles were transported by sea directly to the site, saving 100 lorry journeys by road.

Enabling the energy transition

The site was previously used to produce top-sides for oil and gas platforms. The upgraded infrastructure means that the site can play a pivotal role in the energy transition. It can support operations and maintenance (O&M) activities for renewable energy projects. It can also be used on national infrastructure projects such as Sizewell C nuclear plant.

LEEF is a major economic asset for the local area, employing around 344 people directly and supporting 494 jobs in the wider economy. The jobs created through this project provide decent work in a growing industry.

also support the transportation and storage of CO2 captured from industrial facilities.

The strategic importance of ports is underscored by the significant investments and upgrades required to accommodate the demands of the energy transition. Ports need to expand their infrastructure, enhance their capabilities, and improve their connectivity to support the growth of renewable energy and decarbonisation technologies.

Ardersier Port, with a £400mn investment from owner Haventus, is being transformed into a leading hub for offshore renewables, with a particular focus on becoming the UK's first floating wind manufacturing hub. This strategic location in the Moray Firth positions Ardersier perfectly for major offshore wind projects, including those from the ScotWind leasing round. It will also be able to play a key role in decommissioning aging oil and gas infrastructure.

Meanwhile, the Port of Aberdeen has undergone its own transformation, with the South Harbour expansion providing increased capacity, deep-water berths, and extensive laydown areas to handle the large components required for offshore wind farms and decommissioning projects. The Port of Aberdeen is also committed to a net zero future, with a strategy that includes investments in projects like shore power to reduce vessel emissions.

Ports investments across the country are not only creating jobs and stimulating economic opportunities, but they are also directly supporting the country's net-zero targets. By facilitating the development of renewable energy sources and enabling the decommissioning of fossil fuel infrastructure, these ports are playing a vital role in Scotland's journey towards a sustainable energy future. Ultimately, these efforts are positioning Scotland as a leader in the global energy transition, demonstrating a commitment to innovation and a sustainable future.

Engagement with policy-makers and third parties

Four out of every five OEUK members are supply chain companies, with a significant proportion being SMEs. Ensuring the supply chain's voice is heard and considered in policy development and industry decision-making is central to OEUK's mission.

The supply chain provides a crucial ground-level perspective on the practical implications of policy and regulatory frameworks. SMEs follow closely the twists and turns of project executions, technology deployment, and workforce development. Their insights are essential for crafting effective policies that ensure a competitive and sustainable offshore energy sector. Ignoring the supply chain's perspective risks creating policies that are impractical, inefficient, or even counter-productive to the UK's growth mission.

A strong and engaged supply chain fosters innovation, drives cost efficiencies and enhances the UK's global leadership in offshore energy. A healthy supply chain attracts investment, creates skilled jobs, and strengthens regional economies.

OEUK actively facilitates communication between the supply chain and key policy makers and third parties. This is achieved through various channels, including government consultations, workshops and industry events. OEUK is where supply-chain companies voice their concerns.

Beyond direct engagement with policymakers, OEUK works with third parties, such as regulators, financial institutions and research organisations, to promote a supportive environment for the supply chain. This involves advocating for proportionate and efficient regulatory agencies, encouraging access to funding for supply chain businesses and supporting initiatives that promote innovation and skills development.

New UK-UKCS customs regime

On November 27 last year, HMRC introduced the new 'declaration by conduct' customs process aimed at providing the authorities with better visibility of goods moving offshore. The new process is applicable for the large volume of low-risk goods moving between the UKCS and UK mainland, including oil and gas platforms and offshore wind farm developments.

This represents a fundamental change if the basin is to remain an attractive place to do business and delivers goods efficiently for the benefit of wider UK energy security.

Following close engagement by OEUK and its members, HMRC agreed to provide a six-month testing and implementation period until May 31 2025.

This was in recognition of the unique challenges the offshore sector faces in efficiently moving goods offshore. During the testing and implementation period, HMRC has committed to seek regular feedback from industry, hold monthly engagement calls, arrange focus groups to discuss specific technical issues and hold small group sessions to explore suggested improvements against policy and legal requirements. OEUK continues to work with HMRC to develop an effective operating model fit for the entire offshore sector.

Working together, we are a driving force of the UK's energy security and net zero ambitions. Our innovative companies, people and communities add value to the UK economy.

Join us today and help strengthen the UK offshore energy industry and your business.

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