



North Sea Transition Forum (NSTF) Meeting 15th April 2021

The meeting was held via MS Teams

Welcome and Opening Remarks

- Andy Samuel, Chief Executive, OGA opened the meeting, he thanked everyone for joining and welcomed the Rt Hon Anne Marie Trevelyan, Minister of State for Business, Energy and Clean Growth, Paul Wheelhouse, Minister for Energy, Connectivity and Islands for the Scottish Government and David Duguid, Parliamentary under Secretary of State for Scotland. He also welcomed new and returning members to the NSTF.
- Recognised that the last year had been difficult but the industry had been resilient and innovative.
- The tripartite partnership has been very constructive, a great example is the North Sea Transition Deal (NSTD).

Ministers Update

Rt Hon Anne Marie Trevelyan, MP

- Delighted to attend her first NSTF meeting.
- Clear message of support, but crucial that the industry continues to transition to a low carbon future.
- Thanked everyone for keeping production going safely, during a very difficult period.
- Delighted that a deal has been agreed.
- Thanked OGUK for their work on the Deal and those in the industry who participated in developing the deal and the OGA who provided support.
- Delighted to announce Tim Eggar has been reappointed as the OGA Chairman for a further 2 years.
- Oil and gas will continue to play an essential role in meeting UK's energy demand.
- Clear that any future licensing for North Sea must be compatible with climate change objectives.
- The Government will introduce a new climate compatibility checkpoint on future oil and gas licensing rounds. Officials will work with the sector to develop this checkpoint.
- A new Cross Energy Supply Chain Task Force has been established, the Rt Hon AnneMarie Trevelyan will chair this task force with Minister Stuart, DIT.
- The NSTD also makes clear commitments to develop the energy supply chain and engage a Supply Chain Champion, it will be ensured that these activities will be complementary and that there is no duplication.
- The new Supply Chain Champion will be a key voice on the new task force and the OGA and OGUK will have a significant role.

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- Keen to hear views on how the supply chain can be supported in the preparation for the energy transition.

The Government is committed to net zero and will continue to support the oil and gas sector.

It will be important to work together to deliver the ambitious commitments in the North Sea transition deal.

Paul Wheelhouse, MSP

- The Energy Transition is at the heart of the Scottish Governments own plans for supporting a sustainable economic recovery.
- While the NSTD is welcomed, disappointed at the level of engagement with the Scottish Government prior to the announcement.
- Want to ensure that Scotland are not missing out on key opportunities that could be utilised to support Scotland's energy transition ambitions.
- The Scottish Government continues to recognise the role of oil and gas in a fair and just transition to net zero, that supports sustainable economic growth and jobs.
- The Scottish Government Energy Strategy will be updated later this year if the SNP is reelected.
- It is recognised that the oil and gas industry has a crucial role to play in the energy transition.
- Key opportunities for Scotland and across the UK through production of hydrogen and CCUS capabilities.
- Scotland is keen to play a part in governance in terms of open collaboration ensuring the just transition for the sector is achieved.

David Duguid, MP

- Delighted to join the NSTF meeting today.
- Achieving the agreement of the deal in such a short time is noteworthy.
- The clear priority must be to focus on supporting a green economic recovery, delivering sustainable economic growth and green jobs. The deal will play a significant part in delivering these priorities.
- The oil and gas sector is very much part of the solution and not the problem.
- Welcome the industries commitment to significant early reductions on emissions and commitment to 50% supply chain local content.
- Welcomed the chancellor underlining the importance to this deal with the announcement of financial support for the Aberdeen Energy Transition Zone and the Global Underwater Hub.
- Look forward to continuing to support the deal and working with the industry to achievement of the deal.

Industry Overview

OGUK

- There are a range of pressures being faced by the industry, specifically around the commodity price, the outlook continues to be challenging. There are also significant policy and regulatory changes.

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- Still less personnel offshore than pre Covid. It was asked that if changes are made to the vaccination criteria that the oil and gas sector is given support.
- It is estimated at around 12000 jobs could be lost offshore, could be substantially higher if activity doesn't increase. 2020 had record low levels for activity, looking ahead there are some positives.
- Production only fell by around 5% last year, impressive given the circumstances. Looking ahead a lack of capex will impact future drilling levels which in turn will impact production. Need to continue drilling programmes.
Revenues have been hit for both operators and the supply chain. The Supply chain is now fragile. Expect to see further rationalisation in the Supply chain.
- Starting to see concern around access to capital.
- Spend in the basin remains uncertain but better than previously thought.
- Investor confidence is very important, the outcome of the licensing review and the NSTD have been important milestones.

Supply Chain

- The supply chain is very focussed on energy transition.
- It is still a challenging time, CAPEX is down, it is likely to remain flat. OPEX is also declining, revenues are up slightly.
- The UK has many advantages but is one of the lowest percentage margins in the world.
- The supply chain will have to find ways to drive growth.
- The supply chain needs to play a part in oil and gas and also rapidly secure a place in the new energy world.
- Building competence and experience will help drive exports.

Operator

- Significant investment has been needed to mitigate Covid.
- Robustness will be key and there is a drive to improve this. This will put pressure on projects however, the results should be future proof.
- Operating companies are starting to diversify their portfolios into renewable and low carbon.
- Year on year the percentage of CAPEX allocated to renewables will increase. This should bring benefits to the supply chain.
- A lot of emphasis is also going into decarbonising oil production. The Asset Stewardship Task Force are working on case studies which will be shared with industry shortly.
- There is a need for continued exploration, this is a key lever for building opportunities and driving investment.

North Sea Transition Deal

BEIS

- Pleased that NSTD has been launched and that there is so much energy for the implementation stage.
- Oversight of implementation will be led by a delivery group which will review progress against objectives at quarterly meetings. The Delivery group will be chaired by an industry

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- representative from the NSTF and by BEIS, supported by a small programme management office hosted by OGUK.
- The governance of the deal will build on existing tripartite mechanism.
- The North Sea Transition Forum supported by the steering committee will be accountable for delivery of the deal.
- During implementation, the delivery group will report on progress to BEIS ministers.
- Involvement of the Scottish Government will be discussed with officials.
- An early priority will be to map commitments, identify leads and how success and progress will be tracked.
- BEIS will establish a Senior Offshore Implementation Group which will co-ordinate development of integrated energy projects.
- The Supply Chain champion will be appointed by summer 2021.
- Business models for CCUS and hydrogen to be developed by autumn.
- Progress will be reported back at the next meeting of the NSTF in October.

OGUK

- There is still work to be done on the governance structure. The overall governance sits with the NSTF. A deal delivery group will be set up chaired by BEIS, Phil Simons will be the industry co-chair.
- Work will be driven by an OGUK team with input from those leading on the commitments.
- Developing an integrated plan will be key to managing implementation.
- Need to move quickly and develop the business case for the early funding.
- Early efforts will focus on initial steps for electrification and supply chain.
- The OGUK supply chain champion is already working on connecting the different energy sectors to develop an all energy supply chain.

OGA

- The OGA will drive compliance with the commitments in the deal including the emissions reduction targets some of which will require electrification.
- The OGA will work collectively and individually with operators on benchmarking. Results will be published annually.
- There will be more focus on flaring and venting, new developments will be looked at carefully to ensure they are in line with the OGA Stewardship Expectation 11 which sets out the actions required from industry to reduce greenhouse gas emissions.
- The OGA will be strongly supporting energy integration projects and CCS.
- It is recognised that the regulatory space will need to adapt.

Feedback/comments

- Delighted to see so much planning going into the implementation. Would like to see a technology organisation involved in the implementation groups to champion the technology element of the NSTD and transition.
- The question was asked if there was a workstream for ongoing communications and engagement? – The NSTD will publish an annual report on progress and more regular communications will take place.

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- There is a clear focus on energy transition, however there is a need to start thinking about the country's contingency for future energy needs. We may need to start thinking about producing more oil and gas.
- We need to develop the context of the 15-20 BBOE required to fuel the transition. This needs to be covered at all levels, but not least the need not to offshore that production so losing control of how it is produced, with the flip side of the economic opportunity which roughly is a £750bn economic opportunity.

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- Concern that the electrification component of the deal may be the most difficult to delivery. May need something creative to allow for electrification to move forward.
- Concern shared, this will be where we would like to utilise the initial funding from Treasury, it is acknowledged to be a critical area that needs to be moved on quickly.
- The Senior Offshore Implementation group will be critical in taking electrification forward. Also, critical will be Ofgem for the connections to the onshore grid.

Licensing Review

- The indicative timetable for designing the checkpoint was shared.
- Stakeholders will have a role to play in helping to design the checkpoint which will be a four-stage process:
 - Internal research
 - Preparing proposal document
 - Wider consultation
 - Reviewing and feedback
- The principles that are guiding the process have been informed by the concerns raised during the licensing review and are:
 - Transparency
 - Evidence based
 - Predictable
- Interested to hear industry thoughts on the key questions:
 - Whether in approving a new licensing round we are avoiding imports, it does not make sense to forgo domestic production if this means importing and exporting emissions to other countries.
 - The UK progress on delivering the NSTD and on decarbonising production, need to make sure we are delivering and preserving our position against other producers.
- Industry was asked are these the correct questions, has anything been missed and how can these be tested.
- Thoughts should be sent to BEIS.

Feedback/Comments

- There may be a 3rd question: oil and gas companies don't just explore in order to increase volume, also explore to hi-grade the total volume available. Exploration is also about quality which goes with low carbon.
- Perhaps add another criteria of speed, however the consultation must be fit for purpose.
- Hearing from BEIS today has given more hope for future of licensing in the UK, this will help to keep a healthy industry which is needed to deliver net zero. Another licensing round is needed.
- The Scottish Government welcomes the concept of a new climate compatibility checkpoint before each licensing round and would like close collaboration to ensure compatibility with Scotland's climate objectives.
- The Scottish government will consider how their policy changes align with the UK governments.
- Pleased to hear reference to imported to oil and gas, we need to consider what the UK's energy requirements will be, this should be a key-criteria.
- In the interests of transparency, in issuing paperwork on the Climate Compatibility Checkpoint, BEIS would benefit from being clear on the context, insofar as we will be an importer for years to come, and on the fact that BEIS retains numerous other climate related controls via development consents.
- From the TU's - suggest that as well as "climate compatibility" for licensing that employment practices are considered. We fully support the stated need for speed as if we don't see action we will face a skills crisis. We are seeing many leave the industry due to employment models like fixed term and the awful IR35 hybrid. Additionally there is downward pressure

on pay and conditions as workers look to move from oil and gas and there is the continuing existence of the substantial and varied training standards barriers to move, as more and more the training required is self-sponsored meaning a real deterrent to employment.

Industry License to Operate

OGUK

- An insight into OGUK's Stakeholder Engagement Project was given.
- Started in 2020 the project aims to:
 - To increase the understanding of the role of the sector and oil and gas in the UK.
 - Reposition oil and gas as part of the solution
 - To increase the national visibility through engagement
 - Build a network of supportive influences
- Key findings from data gathered the will be used to develop the narrative.

Operator

- There is interest from overseas to invest in the North Sea.
- Some companies are choosing to leave the UKCS, others are investing and choosing to embrace the energy transition.
- There will be opportunities in the UKCS both in oil and gas, low carbon and renewables.
- Need to see policy that is equally supportive of both old and new because they are interrelated and connected.
- What has been done with licensing can optimise both old and new.
- Further investment will happen if the policies remain as thoughtful as they have been.

Young industry professionals

- For the young professionals there are a great deal of considerations when considering careers including:
 - Information overload from careers and industries
 - Huge social and moral pressure
 - Hustle culture which may see a move away from traditional career paths which could have an impact on future recruitment
 - The long-term sustainability of the industry
- The NSTD is necessary and positive, there is support for a focus on net zero and appreciation that the transition must happen.
- The next generations focus will be pulled in many directions, there needs to be clear message about the industries direction and sincerity. The OGUK's stakeholder project will be essential.
- Welcome a greater collective focus from the industry on the importance of public understanding. A unified approach to tackle the issue of perception will be vital for securing the next generation and retaining the current workforce.

Feedback/Comments

- The importance of communication needs to be emphasised.
- Companies are committed to reach net zero in their operations but cannot do that on their own the NSTD provides a real opportunity.
- Good to hear about the focus on electrification of production.

- To achieve climate change targets Scotland are going to rely on negative transmission technologies and CCUS, the industry is potentially the provider of this solution.
- It has been shown that a well thought out strategy works, brings results and low costs, this has been seen with decommissioning projects.
- Need to preserve infrastructure and decommission in an orderly fashion, making sure that exploration continues.
- In tackling net zero we must not forget about MER UK.
- A single shared narrative from all the various arms of Government(s) would help everyone. The multiple voices (CCC, OGA, BEIS et al) overlap but aren't sufficiently identical for the Public to share in our vision

Closing Remarks

Rt. Hon Anne-Marie Trevelyan, MP

- Really helpful to hear from industry today.
- Thanks to OGUK and others for the speed the NSTD is being moved forward.
- Thanked everyone for participating in today's meeting.
- Need to make sure don't de-value the critically important workforce but help by drawing together the understanding of skills, making sure we value and appreciate the skills that our workforces have.