

MER UK Dinner – as part of Oil and Gas Day

16 December 2015

NOTE OF DINNER DISCUSSION

Opening Remarks

Andy Samuel (Oil and Gas Authority - OGA) chaired the event which was the second part of the Oil and Gas Day programme, following the Fiscal Forum meeting earlier that day.

He opened by thanking everyone for attending and particularly highlighted the strong interest shown across government which was reflected in the attendance by three Ministers, with more coming to the MER UK Forum meeting the following day. He highlighted the backdrop against which the meeting was taking place – the oil price was at its lowest level for many years and whilst recognising the undoubted challenges this posed he stressed that many opportunities still existed.

He stressed the aim of the dinner event was to generate dialogue and discussion in an informal setting. He welcomed the contributions from Sir Ian Wood, the Energy Minister, Andrea Leadsom, the Exchequer Secretary to the Treasury, Damien Hinds, Fergus Ewing, the Scottish Government Minister for Business, Energy and Tourism, and Deirdre Michie CEO of Oil and Gas UK.

Oil and Gas Technology Centre.

Sir Ian Wood explained that, as part of the City Region Deal application for the North East, the Oil and Gas Technology Centre was a key constituent. He noted that there was now a unique opportunity for the North East of Scotland to be designated as an innovation hub, with the oil and gas sector at its heart. It was noted that one of the key aims of the project would be to anchor the supply chain to the area, beyond the life of the UKCS, ultimately helping to drive exports.

Sir Ian highlighted the vitally important role that technology **must** play in achieving MER UK and that ultimately the prize on offer, through establishing Aberdeen as a centre of excellence, was potentially greater than that from having Aberdeen as an operations centre.

Sir Ian recognised that it was vital the work of the Technology Centre did not duplicate other initiatives and noted the key role that universities, locally and across the UK, could have in the proposed centre.

Deirdre Michie (Oil & Gas UK) fully endorsed Sir Ian's proposal and noted that such a centre could, in the longer-term, play a key role in a low carbon future and not just in oil and gas.

Previous difficulties relating to intellectual property ownership were highlighted – a point Sir Ian recognised as being valid and one they are aware of.

It was also noted that the growth of decommissioning offered significant opportunities for the centre and that pace and focus were essential.

In conclusion **Andy Samuel** thanked Sir Ian for his informative presentation.

Further Discussion

Andrea Leadsom stressed that the UK Government is committed to a realistic energy policy consisting of a mix of energy sources - gas, new nuclear and offshore wind alongside the continuing success of oil and gas. The vital importance of the supply chain to the UK economy and its significant export potential is well understood. She was keen to hear what more can be done from a policy perspective.

The discussion that followed noted it was extremely positive to hear that the sector was such a vital part of the country's energy mix and it could be a bridge to a low carbon future. However a number of attendees noted that, given the current state of the sector, more support was needed and this was required at pace.

Damien Hinds thanked those involved in the three OGA/HMT led driving investment workstreams and highlighted that HMT is very aware of the importance of the sector to the UK economy, emphasised by the £1.3 billion package in the March 2015 budget. He fully endorsed the tripartite approach.

Nico Heslop (HMT) said that HMT recognise a lot has happened in the last year since the Driving Investment Plan was published and the importance of implementing the right policies for both the long and short term. He said that HMT had clearly heard the messages from the participants in the workstreams and it would now be incumbent on officials to respond in the new year – but the clear view from HMT was that tax changes won't solve the issues on their own. It was highlighted that industry recognise this and underlined its commitment to improving cost and efficiency.

Fergus Ewing expressed strong support for Sir Ian's proposal. He noted that the industry was facing an unprecedented challenge and reinforced the view that things need to be done quickly – leaving it until the Spring 2016 Budget may be too late. He stated that there is a real risk of the domino effect resulting in the loss of key infrastructure. He suggested that the following areas needed to be addressed quickly:-

- Decommissioning tax relief – the inability for new buyers without a tax record to benefit is a major issue – solving this would also help to clarify decommissioning liabilities
- It was vital to get the right assets into the right hands and at the right time

- Industry needed to deliver on cost reduction

Deirdre Michie endorsed the need for pace and that it was absolutely correct for HMT to challenge the sector on what it was doing to improve performance. It is essential all of the tripartite parties do their bit.

Responses from the Table

The following points were made:-

- Government sponsored research and development in the sector was not happening and this should be an area of focus. It was suggested that research and development tax relief should be focused on those key areas, such as exploration which is vital to the long-term success of the basin.
- There is a need to create a compelling investment proposition for equity/debt markets, showing that the UKCS is open for business and has a globally competitive fiscal regime. It was noted that investors often raise the operational performance of the sector as a significant area of concern (such as project delays and production efficiency).

Andy Samuel closed the meeting by thanking the attendees for such a constructive and open discussion. He thanked Trevor Garlick, who will shortly be retiring, for his vital contribution to this group and its predecessor bodies over the last five years and his sterling contribution to the sector over the last 30 years. He noted that most of those present would be at the MER UK Forum the following day and he noted that a number of the points raised would be built upon under that agenda.

Annex 1

Attendee List

Andy Samuel	OGA (Chair)
Andrea Leadsom MP	DECC
Damian Hinds MP	HM Treasury
Fergus Ewing MSP	Scottish Government
Robin Allan	BRINDEX
Sir Patrick Brown	OGA
Melfort Campbell	ILG
Colette Cohen	Centrica
Stuart Edwards	BIS
Trevor Garlick	BP
Paul Goodfellow	Shell
Steve Hayes	IADC
Nico Heslop	HM Treasury
Campbell Keir	UKTI
Wendy Kennedy	DECC
Phil Kirk	Chrysaor
Andrew McCallum	OGA
Neil McCulloch	EnQuest
Deirdre Michie	Oil & Gas UK
Gunther Newcombe	OGA
John Pearson	Amec Foster Wheeler
Ray Riddoch	Nexen
Terry Savage	Global Energy
Angela Seeney	OGA
Neil Sims	Expro Group

Grahame Smith	STUC
Stephen Speed	DECC
Tove Stuhr Sjøblom	Statoil
Mike Tholen	Oil & Gas UK
Emily Toft	DECC
Oonagh Werngren	Oil & Gas UK
Paul White	GE
Sir Ian Wood	Personal Capacity
Ian Furneaux	OGA (note taker)