



MER UK Forum Meeting

7th November 2018

Opening Remarks

Andy Samuel, Chief Executive Oil and Gas Authority

- Andy opened the meeting. He welcomed and thanked the Rt Hon Claire Perry, the Minister for Energy and Clean Growth and the Forum members and guests for attending the meeting.
- He gave apologies for Paul Wheelhouse, the Scottish Government's Minister for Energy, Connectivity and the Islands who was unable to attend the meeting. Mr Wheelhouse wanted the Forum to know that the Scottish Government continues to be a strong supporter of MER UK and committed to the sector.

Rt Hon Clare Perry, Minister for Energy and Clean Growth

- The Minister thanked everyone for attending, she is always keen to visit Aberdeen.
- She recognised that the industry was in a better place than it had been at the time of the last forum meeting when the price was around \$60 a barrel.
- At that meeting she had been interested to hear about the changes and co-operative working that was taking place. The oil price is now higher which is hopefully giving some breathing space, however there is still more to do especially in driving home the productivity gains.
- The new transparency measures and the renewed commitment to work together was very evident in the work that the OGTC is doing.
- The government is closing in on a BREXIT deal. The hope is that post BREXIT that there will be a renewed sense of optimism and confidence and companies will continue to invest.
- Very few industries get a headline mention in the budget every time and the fact the oil and gas industry does should demonstrate how vitally important this industry is to the UK economy. The government understands the importance of a stable fiscal environment for global investment in the basin.

- There are massive opportunities for decommissioning not just in this basin but around the world.
- The north east of Scotland is one of the most productive areas in the UK, that is a testament to what this industry has achieved.
- The UK is currently working through a transition to a lower carbon economy, the role of the industry in this will be vital.
- The government is very proud to be amongst the global leaders in looking towards a low carbon future but also very robust on the need to maintain oil and gas in the energy mix. There is a need to soberly make the case for responsible use of gas in particular and many of the companies around the table will be fundamental in the transition.
- She also paid tribute to the civil servants who support the industry.

New Developments – Andy Samuel

- Two very positive stories this year, first is collaboration, there are some amazing examples which would definitely not have happened a few years ago. This industry needs to be congratulated for this. Now the envy of many other oil and gas provinces because of the unique tripartite relationship; industry, the OGA and government.
- The other positive story is the turnaround in investment, fundamentally things have changed there has been 4 times the capital investment, new production added and a diverse range of companies now in the basin.
- The Central Graben area plan is an example of fields that are decades old, now getting developed due to the innovation of industry and companies taking the lead. The fields will provide an additional 50 million barrels.
- Another example provided was West of Shetland where there is massive potential with 7 or 8 operators doing some excellent work joined up through area plans.
- The OGA will be publishing the Reserves & Resources report on 8th November 2018, identifying as a good news story that it was retaining the figures of 10 to 20 bn boe of potential resources with a more detailed analysis that in brief highlighted that the low side had remained the same as previous estimates whilst the high side had improved.
- The wells insight report was published early November, this highlights that there are not enough wells being drilled to get after the reserves.
- The OGA will help by publishing a Wells Strategy and Expectation and work with industry to develop these.
- The industry has been moving in the right direction since 2014, but the big question is how to sustain the gains. Can't just say 'don't revert' – we all need to be able to offer a new future.
- Build on the excellent work to date, including efficiency and behaviours. Lead and sustain a new future through Vision 2035.

- There is a lot of value still to get after, have to be forward looking, Vision 2035 could hold a lot of the solution. It is also excellent to hear more people talking about diversity and inclusion as this has to be part of the future.
- Andy opened the meeting for questions.
- When asked which other industries this sector could learn from, the Minister advised that high productive industries include automotive, aerospace and some parts of the manufacturing sector, however there remains a productivity challenge across the UK and government plans to look beyond sectors to fix.

Industrial Relations and Workforce Engagement – Deirdre Michie

- The industry is in a better position than it was this time last year but there are still some pressures especially on the supply chain.
- There are some industrial relations issues. Of the 23,000 workers offshore 7,500 are OCA a third of these were balloted. The offer was not unanimously accepted, but talks are still ongoing and it is hoped that a settlement will be reached.
- O&GUK has been working very closely with the OCA and also working on contingency planning.
- The reaction is very mixed offshore with some very positive engagements however it has been identified that there are problems.
- Very good discussion has taken place centring around 5 topics, a common factor across all was workforce disengagement. Ray Riddoch is leading on this with Step Change in Safety, taking a holistic view on workforce engagement across the UKCS. There may not be a future for the industry if the workforce is not fully engaged and knowledgeable about what is being faced.
- Jake Malloy, RMT Union agreed that a holistic approach would be needed to achieve the Vision 2035. It is in everyone's interest especially the workforce to get this right. Workers do understand that it is important to get costs down and will buy into this if they are educated and engaged properly. But they would like to understand where the bottom is. The continued push to reduce costs is distracting from any ability to talk about moving forward.
- It was felt that the cause of workforce concerns could stem from the perpetual change, threat of redundancy and not knowing what the future holds.
- It may be necessary to get everyone into a room to discuss a new model.
- There is a need to educate that it should not only be about the commodity price but sustainability and longevity through prudent cost management rather than cost cutting.
- The Minister reconfirmed the government's commitment to the industry and its future, recognising the employment potential in good highly quality productive jobs.

- OPITO and Robert Gordon University recently published their Dynamic Workforce Report which is a scientific view of the industries workforce requirement through to 2035. This identified that 40,000 new recruits will be needed to deliver Vision 2035. A great number of these will have the skillset to transfer from one energy industry to another.
- Another part to consider is exports, there is still a high demand for UK skills and innovation, however there is still a great deal of companies in the industry that do not export. There is a need to consider the global picture.
- The energy industry will be a major growth industry for decades to come and the future does look bright.

Boom, Bust and Cultural Change – Steve Phimister

- This industry has made some structural changes and engaged in self-help to address the boom and bust cycles.
- The prolonged period of downturn has resulted in a structural market place where it is competitive in terms of rates and cost, when oil prices were very low it was hard to get investment.
- There is an argument, that it may now be too lean in places and this may need to be addressed. As activities rise the marketplace may get overheated which will give rise to cost escalation which will turn off investment, as a mature basin the UK is more susceptible to this.
- The self-help carried out over the last few years to reduce cost and improve productivity makes the industry more robust.
- The tripartite system works, it gives a new structure to approach activity.
- Appreciation was expressed for the restatement of HMT's Driving Investment plan. The decisions made by headquarters are done on a long-term basis, it makes a big difference to see a robust tripartite organisation and stable fiscal regime.
- The basin can't offer some of the things others can, but can offer efficiency, speed, cashflow, stable fiscal regime and a quick turn over of cash.
- The question was asked if the value proposition is clear to everyone?
- The Minister advised that this is something that could be developed further.
- The industry has also changed its relationship with the supply chain. It is recognised that the supply chain has been seriously impacted by the downturn, some of it has recovered and some is still recovering. A sustainable supply chain is critical to the industry.
- There has been a lot of work done around behaviours and how companies choose to work together. A significant number of industry leaders have been brought together to change the dialogue. Openness has increased and companies are learning from each other.
- Operators are now involving the supply chain in the development of solutions in order to get projects developed.

- Examples of behavioural change and new commercial models in the delivery of new projects were cited.
- Company self-assessments are being carried out and behaviours not consistent with avoiding boom and bust are being highlighted. The O&GUK Board have set out 10 principles for companies to work to.
- Technology will drive the demand for new skills and the main shortage is likely to be in digital. This was an area where there is huge competition between sectors for skilled employees. There are also shortages in some of the hands-on skills due to competition from big projects in other industries.

Gender Diversity – Deirdre Michie

- Deirdre Michie provided an update on what is happening in the industry around gender diversity. Currently looking at diversity and inclusion and gender diversity is an important element of this.
- Momentum is building and there is a window of opportunity that wasn't there in the past.
- When it was suggested to the O&GUK board that they should take a strong role in this there was an overwhelming positive and supportive response.
- There is evidence that shows that a better gender balance gives better results from both a financial and safety point of view.
- The oil and gas industry has a bigger gap than other industries but is broadly similar to other STEM focused sectors.
- Women only make up around a quarter of the workforce compared to 47% in other industries. Only 4% of the offshore workforce are women.
- The gender pay gap is 24%.
- The industry is looking to work more closely with the Women's Business Council in terms of what they are trying to do and replicate this across industry.
- The industry does attract women, but if they leave they do not return.
- The industry is doing a great deal within individual companies, but this is not being done collectively, this may be because it is seen as a competitive area.
- The women's business forum has started to map out what is already being done across industry looking specifically at 4 areas; Starting out, Staying on, Getting on, and Men as Change agents.
- Once the gaps are established, opportunities to work together as an industry will be identified.
- There was a general consensus that it was more of a problem to get female talent in the UK than other countries.
- It was noted that the culture in the Civil Service was ahead of some other industries in this respect and that this could be learned from.
- The OGA has piloted an Accenture model. The pilot group agreed that this should be used across the OGA and highlighted to industry.

- The question was asked that given industry can now measure collaborative behaviours could we do something similar to measure gender diversity and benchmark companies?
- It was agreed that this was a good challenge and could be looked at and that the Accenture model was very good and provides a fundamental framework.

Brexit, Budget and Energy Transition Brief – Deirdre Michie

- Industry was grateful to the government for the Budget and the continued fiscal stability.
- Industry is very supportive of the reference to the Decommissioning Call for Evidence and very much want to be part of this.
- On Brexit, O&GUK went out to its members to review the White Paper. The response will be sent to government.
- From a supply chain point it is important to get efficient access to Europe for people, supplies and services.
- If a deal is reached it will be important that we still have a voice in Europe as there are a few directives going through that industry will have to abide by without being able to influence.
- It will be important to be part of the negotiations as government moves to the next level of detail so there are no unknown consequences for the industry.
- BEIS were very well aware of the concerns and were engaging with O&GUK. The points raised were common across other industries. It was confirmed that it would be important to have a voice in Europe given the UK sector's fairly unique status.
- It was agreed that Energy Transition would be on the agenda at the next meeting.

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- On Monday 5th November the government released the design for the Dubai Expo. In the summer of 2020 it is estimated that 20 million visitors will visit the Dubai Expo, 80% from outside the UEA. This is an opportunity to showcase the industry.

Close

- Andy closed the meeting and thanked everyone for attending.
- The Minister advised that it had been a great agenda and she thanked everyone for attending the meeting at short notice. She added that it was extremely encouraging to hear about all the good work that was going on.