



Oil & Gas
Authority

MER UK Forum Meeting 11 June 2020

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 Kwasi Kwarteng, 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 forum.

Opening Remarks

- The Rt Hon Kwasi Kwarteng Minister of State for Business, Energy and Clean Growth advised he was pleased to be attending the Forum especially at such a critical time for the industry.
- He thanked everyone for the collaborative response in reporting Covid-19 issues, this has been critical in helping shape Government guidance and policy.
- He also thanked the Scottish Government and Minister Paul Wheelhouse for working constructively to address the challenges facing the industry.
- He is aware of the concern that the current crisis is causing, there has been an excellent co-ordinated response.
- The sector is known for its innovations and resilience, confident that with the support being provided that the sector will have a bright future.
- The oil and gas sector is vital to the UK in terms of jobs and economic value and will be very important for the contribution it will make in the energy transition.
- Now need to start resuming activities, the oil & gas supply chain is vital to the UKCS and the UK economy.
- Need to look to the future, the government is striving to deliver an economy that is stronger, cleaner and more resilient.
- Any support given to the industry must provide maximum opportunity to the whole UK economy.

- Convinced that the Sector Deal will be of critical importance to the industry, it must give continued and sustained support to the energy transition.
 - The minister hoped that today's discussion would be the start of the process of agreeing a Sector Deal. He has been encouraged by the proposals, which put energy transition at the centre.
 - The Government is committed to delivering on achieving net zero greenhouse gas emissions by 2050.
 - He is pleased that industry has made progress on emission reduction targets, this will be vital to ongoing Government support for the sector.
 - Protecting highly skilled jobs in the industry is critical for the longer term, the skills will be needed to achieve net zero.
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- Paul Wheelhouse, Minister for Energy, Connectivity and Islands for the Scottish Government thanked the UK government for the positive engagement that had been taking place.
 - He recognised the significant impact that the crisis is having on businesses across the sector, continuing to see a significant number of job losses with an estimated 4500 job losses in Scotland.
 - He has been heartened to hear about the significant work already underway in response to the challenges.
 - He recognised the importance of moving at pace and support for opportunities for a green recovery.
 - There will be a need to focus on a sustainable future for the sector. The Scottish Government are already supporting the deployment of CCUS in Scotland. The development of CCUS offers a range of opportunities for the industry.
 - The UK already has the transferrable skills which can be used to kick start decarbonisation.
 - Scotland hosts some world leading hydrogen projects which are seeing production of hydrogen from wind and tidal energy.
 - Later this year the Scottish Government will publish a hydrogen action plan and policy statement.
 - There is an opportunity to become world leaders in driving the energy transition and it will be important to work together at pace so that the UK and Scotland are not left behind.
 - The Scottish Government is committed to working with the UK government and industry to make sure they are doing all they can to support the sector.
 - The Sector Deal will be a crucial component and the Scottish Government recognises that the sector has an important role to play in the energy transition. The oil and gas industry will be important to provide energy security going through the transition.
 - The Scottish Government is currently looking at what support can be provided to industry.

- The challenge remains the same to ensure a sustainable future for the sector and deliver an inclusive and just transition for those working in the industry.
- David Duguid, Parliamentary under Secretary of State for Scotland advised he was delighted to be at forum, he has a keen personal interest in the industry and is pleased that it is part of his portfolio in the Scotland Office.
- He is very aware of the significant challenges faced by the industry both from Covid-19 and the low commodity price.
- Both governments are focused on the health crisis but also focussed on economic recovery, he is keen to hear about the industry's plans to contribute to this.
- Pleased to see the progress made on the proposals for the Sector Deal and keen to hear how the proposals can be made a reality.

Crises Response

OGUK

- Thanks, were given to industry for the incredible response to the pandemic, it has been a good example of the tripartite approach.
- Having the sector recognised by both governments as a key sector was essential to managing the difficulties.
- The response taken has had three phases: protect, recover and accelerate.
- Now working on return to work protocols with both governments.
- As activity increases the testing for asymptomatic personnel will be key.
- The industry has been hit by Covid-19 and the low commodity price, companies have had to stop or delay activities. The pressure on the supply chain continues to be very challenging.
- The Chancellor's financial support has been welcomed, however redundancies are building and there are likely to be more when the furlough scheme ends, between 4000 - 4500 redundancies are expected.
- The focus is now moving to the immediate and longer-term recovery.

Trade Unions

- The reaction to Covid-19 shows what can be achieved through meaningful collaboration.
- Moving forward the ask would be for asymptomatic testing, key workers to be given access to government testing sites. This would improve efficiency and the financial burden on the industry and help to protect this critical industry.
- Government support for the Sector Deal would be a real confidence booster for the workforce.
- The most pressing concern are the jobs losses.

- Urgency is needed or workers and skills needed for the energy transition will be lost. There are changes that could rapidly be applied to close the gap and rebuild the confidence of workforce.
- Three key issues identified:
 1. Domestic content – need enabler through creative regulations.
 2. Standardisation and collaboration around training – this must be a priority.
 3. Opportunity to engage with government to discuss how enablers could work.

Tripartite Recovery Plan

- The plan has been worked over the last few months and has been developed with the OGA, OGUK, Government and the Supply Chain and Exports Task Force. The emphasis for the plan is protecting jobs.
- Potential recovery projects have been identified and fall into two categories: 'Back to work' and 'Accelerate the future'.

Back to Work

- Back to Work projects aim to protect up to 55,000 jobs and potentially support £1bn of industry activity:
 - Maintenance: Stimulate activity and protect jobs.
 - Decommissioning P&A: Co-ordinated campaign approach to P&A wells supporting the drilling sector and supply chain jobs.
 - Global Underwater Hub: Seeks to build on the world leading subsea sector.
- The following points were received from industry:
- Moving forward the UK supply chain will need to be aligned to both current and future demand, able to service and innovate in oil and gas and net zero.
- Other countries are already heavily engaged in net zero projects, there are the same opportunities in the UK. These would help retain a level of supply chain capability with the skills needed to achieve the UK's net zero goals, anchoring expertise in the UK and exporting to the world. However, there is a need to move at pace if the UK is not to be left behind.
- Market forces can't be relied upon to generate the activity needed to stimulate the industry, there is a need for appropriate and speedy intervention to make this happen.
- It was asked what the benefits for tax payers would be from the wells P&A campaign. Three benefits, all with the potential to reduce decommissioning liabilities, have been identified:
 - The project could take advantage of the lower cost base.
 - Number of days taken will be reduced (cutting costs).

- Potential to establish a campaign model which will be shared with industry helping to bring future costs down.

Accelerate the future

- The OGA have led a project that has identified approximately £20 million of projects to stimulate a green recovery and accelerate net zero opportunities.
- The UKCS can potentially offer 60% of UK's net zero abatement needs.
- The OGA have screened over 60 hydrocarbon and net zero opportunities to identify options to stimulate short and long-term jobs and activities. Three green recovery opportunities were identified. These opportunities should stimulate activity, create jobs, encourage capital investment, also help retain and diversify existing skill sets.
- The OGA and peer organisations are in a unique position to initiate, catalyse and share opportunities that would otherwise not be taken forward due to complexities.
- The opportunities will create jobs in the short term, remove barriers and attract investment.
- The opportunities are:
 - Offshore Power Emissions: Continue with the energy integration projects.
 - Energy hubs: In addition to those already identified, there are other opportunities which could provide sources for blue hydrogen, potential CO2 stores and good offshore wind capabilities.
 - Carbon Capture: Seismic reprocessing for SNS to identify new storage sites and accelerate known storage sites.
- The following perspectives were provided from industry:
- Projects will need to be a collaboration between industry, technology developers and government.
- Energy hubs will decarbonise power generation, but also allows industrial facilities to convert to low carbon fuels and create the next generation of energy production, integrating oil and gas with renewables.
- Projects will help to drive IP and manufacturing opportunities in the UK to create the next power generation. This will be applicable to any industrial cluster. Finding a way to generate power for industrial needs and creating a hydrogen market.
- These are the kind of projects we want to engage in now.
- Electrification technology to deliver power from shore to offshore exists. There is strong market interest in these projects. The challenge is price and carbon content of the electricity used. The UK power supply is uncompetitive because the regulatory framework is very complex.

- The prize is great, two thirds of offshore emissions are due to power generation, being able to harness a renewable energy source is very compelling.
- The single biggest barrier right now is the regulatory framework, based on costs associated with connecting to a grid.
- Great way to stimulate activity is to get new or enhanced seismic data released. This will kick start activity specifically in CCS projects. This has been proven previously.

Sector Deal

- Basis for the Sector Deal is the Roadmap 2035, this has been reviewed due to Covid-19, it continues to be robust for underpinning the green recovery.
- The purpose of the Sector Deal is to accelerate a fair and affordable transition that grows the economy and jobs, makes net zero happen and provides energy security for the UK.
- Pace is critical for the sector deal.
- There are six shared commitments in the Sector deal:
 - Cleaner energy: Deliver 50% reduction in production emissions from UKCS by 2030 and 90% by 2040. – Help needed to enable frameworks and legislation.
 - Carbon Capture and Storage – Deliver CCS, underpinned by necessary transport and storage infrastructure and supporting business models. Enablers – regulatory framework and business model.
 - Hydrogen economy – Position hydrogen as a key resource for the UK's industry, heating and transport requirements.
 - Global Supply Chain – Transition the oil and gas supply chain into new energies, doubling exports by 2035.
 - Jobs – Secure up to 130,000 jobs by 2035, support new generation of apprenticeships.
 - Innovation: Create economic development and technology zones integrating low carbon energy solutions both on and offshore.
- Looking for support from government for the Sector Deal. Next step will be to start work on the how, to understand the economic contribution, the impact and associated funding. This work will be completed by the end of September. Will also be undertaking comprehensive stakeholder engagement.
- A high-level overview of the planned Energy Transition Zone (ETZ) was provided. The ambition is to create a world leading ETZ to accelerate the delivery of net zero solutions and secure a strong economic future built on offshore wind, hydrogen and CCS, alongside oil and gas.

Questions/comments

- It was asked how many operational sites will be needed to meet the CCS target by 2030 – 2 or 3 sites.
- Dialogue is needed with Government regarding the difficulties in accessing finance.
- Industry should not forget the need for collaboration around standardisation and on the relationship between the supply chain and operators.
- Government should respond at pace and look at breaking down institutional barriers.

Closing Remarks

- Paul Wheelhouse recognised the need to break down barriers. The Scottish Government recognises and supports the need for the tripartite arrangement.
- There is an appetite for the Scottish Government to be recognised within the Sector Deal, because of the important role that Scottish agencies will have.
- He asked the UK Government to provide the opportunity for the Scottish Government to play an active role in supporting the Sector Deal.
- The Rt Hon Kwasi Kwarteng thanked everyone, the meeting was very informative with stimulating discussions.
- He welcomed the ambition that had been shown and the widespread recognition that this will be done in partnership and on a collaborative basis, the phrase 'quid pro quo' is important in terms of government support.
- Delighted in the enthusiasm and support shown for net zero.
- The forum has been a good opportunity to start to look at what the Sector Deal should look like. More specifics will be provided over the next few months, he is looking forward to hearing from industry and having more stimulating discussions about how to take this forward.

Andy Samuel thanked everyone for their contribution and advised that the OGA will continue to work closely with all parties to progress the tripartite plan.