



MER UK Forum Meeting Church House, London
31st October 2016

Introduction by the Rt Hon. Greg Clark, Secretary of State for Business, Energy & Industrial Strategy

- The Secretary of State explained that HM will be taking a strategic approach to all types of industry through the Industrial Strategy and reiterated that oil and gas was an important sector for the UK. Keen to work closely with industry to develop the industrial strategy.
- The UK Government will continue close engagement with industry and the Scottish Government.
- The OGA needed to be a force for stability, command respect and support from the sector, yet remain flexible and agile to adapt to circumstances and that this could only be achieved through collaboration.
- The establishment of the OGA as a strong independent regulator is a positive step for the industry.

Update from Jesse Norman, Parliamentary Under Secretary of State at the Department for Business, Energy and Industrial Strategy

- Jesse Norman welcomed the quality of the group assembled through the forum and praised the OGA for its work so far.
- He also welcomed the work the OGA and industry were doing to develop and advance the different aspect of the MER UK strategy. He recognised the broader challenge of Brexit and that HMG are working to understand the impact of Brexit on business and will work hard to get the best deal for Britain.

Update from Paul Wheelhouse, Scottish Government, Minister for Business, Innovation and Energy

- Paul Wheelhouse explained how the Scottish Government was committed to development of the strategy and the First Minister was keen to maintain close contact with the industry and the forum.
- He was concerned by the potential contraction of output of 21% in 2016 and a projected 48% drop in revenue.
- He further said that, while job losses were significant the transitional training fund could help.



Oil & Gas Authority

- The workforce was key to making efficient cost savings, it is important to ensure jobs and skills were saved. Good work had so far been done with the workforce and Union engagement, which he said must continue.
- He also noted that 2016 was looking poor for new field approvals and hoped that further details would soon be available on loan guarantees to enable companies to access funds.
- Industry had made considerable progress in efficiencies and he welcomed the establishment of the Oil and Gas Technology centre.
- He said the UK needed to anchor decommissioning expertise within the supply chain, which could then be used worldwide and he acknowledged progress in the Aberdeen City Deal.

Update from Lord Dunlop, Under-Secretary of State for Scotland and Northern Ireland

- Lord Dunlop echoed the praise for the OGA and the dialogue they had had with the Scotland Office and also welcomed the opportunity in June to speak at the Oil and Gas conference on the contribution to the economy and making it through the difficult times.
- He emphasised the importance of diversifying the economy of the north east and was keen to take the Oil and Gas supply chain strategy forward and to help smooth the establishment of the OGTC. He also reported that the final City Deal documents for Aberdeen were close to being signed.

MER UK in practice – Andy Samuel

- Andy Samuel presented the MER UK in practice slides and explained that there was a lot still to play for even though times were tough for industry. Exploration drilling rates were low but we were seeing an upturn in exploration and a number of companies were being successful.
- The drive on costs and efficiency had seen many positive changes – much of which could be sustainable. OGA had an excellent success rate at solving access to infrastructure issues and he asked the forum members to spread the word among the industry and correct any misconceptions they came across.
- Asset stewardship should be a “game changer” and collaboration is proving a success. The industry could hold OGA to account on their values and be assured that we would listen.
- The production efficiency report would be published shortly.



- He explained that the OGA did not have the capacity to produce area plans for the whole of the UKCS but would like to hear from industry partners who could do so for individual areas or in partnership with each other.
- The UK was now shown to be competitive and open for business and he asked the industry to spread the word themselves as the OGA had already done so through various forums.
- Tripartite success was on target with excellent recent examples; he highlighted the example of an oil company approaching two rival service companies to work collaboratively for a solution and ended up being ahead of schedule as a result.

Industry and Economic Report Update – Mike Tholen, Oil & Gas UK

- Mike Tholen said that production was up, costs were down and that efficiency was up and sustained.
- Investment was a big challenge within a Brexit context and it was imperative to make sure that this was well managed and that confidence was maintained in the industry and the supply chain.
- He also called for confidence within energy strategy and clarity within the carbon emissions trading scheme.
- Drilling was not in a good place and that impacted on other sectors and stacked rigs were lost opportunities. The sector was a poor place for investment at present, infrastructure was in a period of renewal and building for the future. He expressed hope that companies that were saying “there was nothing big in the north sea” could be proved wrong but this would only be done by continued exploration.
- During the downturn companies had first concentrated on cost cutting, then efficiency, then the way forward, he invited comments on how this felt to the supply chain and to companies currently seeking investment.
- This was the worst and longest challenge faced by the industry in 40 years, behavioural and cultural change was the only way forwards for everyone.
- 2017 looked to be worse than 2016 and the forum needed to find ways to unlock investment, but there would inevitably be industry casualties.
- The UK was seen as best in class for subsea and could extend this to other sectors, with technology potentially playing a huge part in this transformation.
- Facilities management was dealing with a lag in the market and there would be a 2 to 3 year lag before this area of the market picked up, during which time forum members needed to concentrate on not losing existing core competence.
- The challenge was how to create the culture in which sustainability is achieved.



- Examples were given on how companies had improved efficiency and reduced costs.
- The UK was on the leading edge of development in respect of redefining cost structure and the development of the OGA was also fortunate.
- Fiscal stability was the key as well as addressing uncertainty in the post-Brexit world.
- The repositioning of the industry may have been reached regardless of the oil price and there was a need to maintain skills and competencies and get a message to young people that the oil industry is a great one to work in.
- The forum was reminded that some big projects had stalled and industry needed to work with the OGA to get them going again. It was acknowledged that, while it took a long time to get some projects up and running, operators were engaging differently with the supply chain.
- The unions representative mentioned that, unfortunately, there had recently been the first industrial action for a long time and that there was a need to engage with the workforce and to retain skills in the industry. It is hoped that the lessons learned from the industrial action would prevent this in the future.
- The Scottish Government had invested £2m in 3 years, mostly focused on people leaving the industry. We need ways of retaining people in the industry.
- Facilities and areas of expertise were in danger of being lost if they were not used enough. The industry needed to look towards co-investment rather than money from the government.

Supply Chain Export and Skills Board update – Stuart Payne, OGA & Neil Sims, Expro

- It was emphasised that there was a need for a strong supply chain anchored in the UK. There was an opportunity for both UK and Scottish governments to get involved and work together.
- The forum was asked whether there was more that could be done to support and sustain the service sector.
- While the “Aberdeen brand” is well recognised, 87 service companies out of a total of 1600 account for 80% of the exports and the industry needed to reduce this disparity and encourage the UK government to help where possible.
- 150 companies would be meeting the UK Minister in Columbia for trade talks, at which there was opportunity for collaboration and investment for the UK Oil and Gas sector.
- There was a huge opportunity for the UK to tap into world trade, while some countries like Mexico have their challenges they are up and coming places for the UK to invest.



- The drilling industry currently have 17 rigs stacked which take \$10m to \$17m to get back out, companies were therefore now retiring rigs. When industry was ready to invest and go forward, the drilling industry would be wrong footed.

Regional Development & Infrastructure, Progress on collaboration – Gunther Newcombe, OGA & Neil McCulloch, EnQuest

- Progress had been made in most regions. 5 billion barrels of oil had already been discovered and 2 billion of those had been through discussion.
- Joint ventures would need to undertake a collaborative assessment every 2 years and the OGA would use their powers including sanctions if collaboration was not working effectively.
- The Commercial Code of Practice (CCOP) was in place and the infrastructure code was to be revised.
- An example of the “Southern Wye project” was given in which 4 companies had collaborated. This was a very complex project which in less than 6 months the companies were able to plan and conduct all operations. The legal and commercial liabilities discussions and agreements were dealt with in record time. Without the OGA this would not have been possible.
- The forum was reminded that the OGA required the involvement of operators to drive things on the opportunity matrix over the line.
- Industry needed new installations for the future but cost reduction had not yet reached that point. Some systems were more than 30 years old and operators were reluctant to renew.

Closing Remarks

- Jesse Norman thanked everybody for a productive session and noted the scale and complexity of the challenge facing industry and the recognising the good work that OGA and industry have done so far realising the great challenges that lay ahead.
- Reiterated that the Industrial Strategy will be a consultative process with industry and encouraged the industry to input.
- Pleased to hear recognition of the competitiveness of the fiscal environment. He reiterated the Government’s commitment to the sector and noted the opportunities discussed around export potential.

Andy Samuel thanked everyone for their attendance and participation and closed the meeting.