

## **North Sea Transition Forum**

**29<sup>th</sup> November 2023**

### **Welcome and Introduction**

- Stuart Payne welcomed everyone to the meeting.
- 27 petroleum licenses have been awarded in 2023, more will be announced in 2024, turning these licenses into production is a priority.
- Projects worth very nearly £4billion capital expenditure have been approved this year.
- The NSTA have worked with industry to drive down emissions and have seen success with emissions down by 23% over the last 5 years.
- One of the biggest levers to emission reduction will be the OGA plan, the consultation on this closes at midnight on the 30<sup>th</sup> November.
- 21 carbon storage licenses have been awarded this year.
- It was announced that the NSTA would be the regulator for hydrogen storage and transportation.
- The Taskforce leads were thanked for all the hard work that had been done this year and some of the highlights were shared.

### **Minister's Update**

- The government remains committed to home grown production; the alternative is to import which often results in a higher carbon footprint. This industry is part of the energy transition.
- For decades to come the UK will still need oil and gas to meet our energy needs. That is the reason that the government is committed to future oil and gas rounds and why the government has introduced the new Offshore Petroleum Licensing Bill, this will hopefully provide future certainty and provide confidence to invest and help protect jobs.
- It is recognised that fiscal policy plays an important role in securing long term investment. The oil and gas fiscal review was announced in the Autumn last year to ensure that the long-term tax regime delivers predictability. The Autumn Statement announcements seek to deliver on the feedback received from industry.
- Keen to hear industries response to these announcements and if we have the right regime in the basin to ensure investment and that energy transition projects will go forward.
- The government want a managed transition which makes sense for jobs, business, communities, and the environment.
- Future investment must go hand-in-hand with decarbonisation.
- Aware that a lot of work has been going on, so that the ambitious targets in the North Sea Transition Deal (NSTD) can be met.
- Must continue to work together and focus on platform electrification, it is vital that the industry continues to decarbonise.
- The Minister is grateful for the way industry continues to work collaboratively with government to deliver on the deal.

- The Energy Act is now in place, and brings forward provisions to establish CO2 storage, industrial carbon capture and low carbon hydrogen business models.
- The Minister looks forward to hearing about the progress of the NSTD.

### **Energy Security Update**

- Exploration activity in 2022 was higher than 2021. Current expectations for 2023 are similar to 2022 with some notable successes.
- The number of wells drilled is low and this will need to be addressed if the basin's potential is to be achieved.
- Last year production efficiency and overall production marginally increased, however, there was a decline in the basin's production potential.
- Two activities that could increase production: new developments and an increase in well activity.
- This year new developments are expected to add almost as much in reserves as has been produced, this is an improvement to previous years.
- Six projects have been approved so far this year and one more on the horizon. In 2024 there are potentially several big projects that will be brought forward and also a number of smaller projects.

### **North Sea Transition Deal Update**

#### **Industry**

- The support for the sector from the government is very appreciated.
- The Offshore Petroleum Licensing Bill has been well received.
- The sector is committed to delivering on the NSTD, it is a key part of industries licence to operate.
- The NSTD is an exemplar on how countries should approach the energy transition.
- Work is being done to meet the targets in the NSTD, assets are being decarbonised, but there is still work to be done.
- We are showing that Carbon Storage and hydrogen are becoming a reality, this needs to speed up.
- There are good initiatives on how we unlock our supply chain, but again more needs to be done. And there is more work to be done around people and skills.
- The opportunity for direct engagement with the minister is very much appreciated.
- The threat of job losses is becoming a reality, people are losing jobs as a result of the EPL as some projects are no longer economic. This is a threat to energy transition as we are losing the skills/resources that will be needed.
- The fiscal review is welcome, but it is not attracting investment.
- Some companies now face a 100% tax regime which is untenable. More information can be provided on this.

- Companies recognise the need for a windfall tax and the need for a fair tax regime, companies would like their views to be heard.
- If fiscal and regulatory stability can be achieved industry is more likely to be able to continue to support the energy transition.
- Companies are committed to decarbonisation, the Asset Stewardship Task Force have been working on developing more consistency in terms of hub strategies and Emission Reduction Action Plans, but there is more that can be done.
- There are concerns that the OGA plan is too prescriptive, the industry is committed to electrification and feel industry can achieve this through existing forums and the existing OGA strategy to drive more collaboration between industry.
- Industry would commit to come back to this Forum with a granular and concrete plan on how electrification and decarbonisation projects will work.
- If it is too prescriptive it could put projects at risk.
- Industry could come up with a marginal abatement curve across the whole industry. A plan to achieve this could be developed, this might contain several different scenarios to meet the emission reduction target.
- Concerns raised about the economic case for electrification and companies stopping projects. It is important for everyone to understand this. Need to look at individual projects and identify what needs to be done to move these forward.
- Industry is currently mapping out the strengths of the supply chain and are also mapping out the existing technologies with regards to the boarder energy mix.
- A Supply Chain Champion report which will be published in January.
- The Skills Passport will underpin a just transition for those that work in the sector. There are 3 elements involved:
  1. The mapping of safety standards
  2. Design of career pathways
  3. Technical solution
- Good progress has been made on all 3 elements.

## **Government**

- Good progress has been made on the NSTD but there is still a long way to go.
- It is important to collaborate and work together and there has been some excellent examples of this which has driven progress.
- Conscious of the challenges with investor confidence, the Licensing Bill was put in place to provide more certainty.
- On the five specific areas in the NSTD:
  1. CCUS – Licenses have been awarded, will be launching a process to enable the expansion of the clusters. A vision will be set out later this year for the sector.

2. Hydrogen – Good progress on the Hydrogen commitments. 17 projects have been invited to negotiations, aiming to award first contracts beginning of next year a second round will also be launched.
  3. Supply decarbonisation – Emissions have already been cut by over 20% against the 2018 baseline. Electrification is being prioritised; staff have been allocated to help navigate the challenges.
  4. People and Skills – The next NSTD delivery group meeting will focus on people and skills.
  5. Supply Chain Transformation – A second Global Underwater Hub has been opened in Newcastle. This hub will strengthen the UK subsea sector in North East England. Also, as announced in the Autumn Statement, government is investing £960 million in GIGA (green industries growth accelerator).
- The achievements that have been made demonstrate the work that both industry and Government are doing to progress the NSTD.

### **Round Table Discussion**

- It is important that the industry communicates effectively to government.
- The Scottish Government Advisory Board will be continuing, still considering how the sub committees will be taken forward.
- The EPL has had a big impact on the supply chain on its ability to employ people, generate economic growth and invest in the energy transition. The tax regime needs to be looked at from the supply chain perspective.
- Three messages with regards to the Carbon Transportation and Storage:
  1. Must get the FID's for track 1 in September 2024, we need the government to protect the path to this.
  2. Track 1 and 2, we have too small an amount of emission or emitters projects ready to fill the capacity of the facilities being installed. Need to accelerate the emission projects.
  3. Beyond track 2, need to look at importing from beyond UK borders.
- There are still some projects that are ready to go that haven't yet received licenses in the 33<sup>rd</sup> round, it would be good if any further licence awards could be done early 2024.