

# Speech: Exchequer Secretary's speech at the Offshore Europe Conference

It's great to join you all in the Granite city for my first Offshore Europe conference – and many thanks to SPE for inviting me along here today.

Our thoughts are inevitably with the people of Houston, Aberdeen's sister city at this time.

The links between the two cities and their people have been forged through this industry.

So I know I speak for everyone here in wishing them strength in the days and weeks ahead.

For now, let's return to the focus of this conference, which is to look to the future of this industry.

And what I want to do is contribute to those discussions and shed some light on the government's perspective on an industry of such importance to the UK's economy.

## **Challenges**

Our starting point, then, is one of real optimism.

Undoubtedly, this has been a challenging time for the industry – we all recognise that.

And that's not just been our experience here in the UK – though we of course have our own challenges with such a mature basin.

But these have been challenging times the world over for the oil and gas industry, its workers and their families.

Here in the UK though, we've responded strongly.

The government has taken unprecedented measures to back the UK's industry – with over £2 billion of support in the last couple of years – boosted further by an already competitive tax and business environment.

We've also been pleased to see the industry itself responding so effectively to difficult conditions.

The progress you've achieved in terms of improving efficiency and competitiveness has been impressive as we've seen operating costs come tumbling down in this time.

Over the last couple of years, the average cost for a barrel has almost halved – from around \$30 to \$15.

Those are productivity gains I'd like to see all our industries making in Britain!

## **Confidence**

What we've seen more recently, therefore, has been encouraging signs of growing confidence.

We started the year with asset and corporate deals worth almost \$4 billion.

And high profile deals investing in the UK Continental Shelf have continued to be announced since then.

But as confidence returns, there is still no room for complacency – in industry, or indeed in government.

## **Commitment**

That's why I've come here today to confirm – once again – our commitment to this sector.

The principles we set out for the UK's oil and gas fiscal regime – in our paper [Driving Investment](#) – they are principles that remain firmly in place.

Because we fully understand the importance of certainty and predictability in the taxes you pay. You can expect a competitive and stable environment in which to plan your investments.

And, as we promised in the [Spring Budget](#), we are investigating whether we can make our tax system better to encourage investment in our older oil and gas assets. I am talking about transferable tax history here.

We will be reporting back in a few months' time at the Autumn Budget.

But it is worth pausing on the age of our basin in the UK, because that clearly brings challenges, as well as opportunities.

There is, of course, still a lot of life left in the UK Continental Shelf.

With up to 20 billion barrels still to be recovered, we still need to get new investment coming in.

## **Decommissioning**

But we must also recognise that the UK is a mature basin, and decommissioning will feature much more heavily in its future.

We've already seen around 10% of North Sea facilities decommissioned.

Over the next decade we're set to see another 100 offshore platforms fully or partially removed, and 1,800 wells plugged.

And such a clean up mission will come at some cost.

Earlier this year, the Oil and Gas Authority produced a new estimate of how much it might be in total – around £60 billion between now and the 2050s.

## **Bringing the Costs Down**

That amount won't all need to be found by the industry – we estimate about £24 billion will be met by the Exchequer through 'decommissioning tax relief'.

So we have a shared goal in making sure those costs fall further!

The Oil and Gas Authority has set an ambitious target to bring the total cost down to less than £39 billion.

That will call for big changes to the way we do things – with better skills and more innovation and technological advances.

But we've already seen what the industry can do in making big efficiency gains.

And we're also seeing our top academic and training centres rallying to meet this challenge.

Over the last half a century, they've been instrumental in training generation after generation of skilled experts for the industry, and working hand in hand with the sector to research tomorrow's technologies.

Now we're seeing them lead the way in decommissioning – with Aberdeen's new Oil and Gas Technology Centre teaming up with Aberdeen University and Robert Gordon University to set up a dedicated Decommissioning Solution Centre.

This multimillion pound venture will bring together academic researchers with industry and business experts to build new expertise, research new technologies and support a world-class supply chain that can help meet the global demand for decommissioning.

## **Window of opportunity**

This joint effort between industry and academia is so important.

Right now we have a huge window of opportunity to become pioneers in decommissioning.

We were the first to try new technologies and methods to overcome the inhospitable waters of the North Sea, so many decades ago.

Now, as the North Sea becomes the first major production basin in the world to reach maturity and start large scale decommissioning, we have the chance to once again make ourselves the go-to global experts.

That means thousands of highly-skilled job opportunities, it means export opportunities, and it means British businesses taking their place in a worldwide, world-class supply chain.

The North Sea decommissioning industry is already worth £2 billion a year – I hope we'll start to see that grow rapidly and I know that ideas about how we do that and make our mark on the global stage will be a big part of this conference.

## **Conclusion**

So thank you all for listening – and if there are two things I hope you take away from what I've said today, it's first that the government remains fully committed in its support of the UK's oil and gas industry.

But second, that we're excited about the opportunities for its future.

I wish you all a good conference.