

Cross-Party Group on Oil and Gas

26th January 2022, 1800 - 1900

Minute

Present

MSPs

Fergus Ewing MSP
Jackie Dunbar MSP
Liam Kerr MSP
Gillian Martin MSP
Tess White MSP
Beatrice Wishart MSP

Invited guests

Jenny Stanning OBE (Chief Executive of OGUK)
David Evans (OGUK, Secretariat)
Craig Wilson (OGUK, Secretariat)
Andy Samuel – OGA
Chris Walker – OGA

Non-MSP Group Members

Karri Tough
Jenny MacDonald
David Shaw
Thomas Brian Donaldson
Ibiyemi Omeihe
Thomas Docherty
Jenny MacDonald

Apologies

Audrey Nicoll MSP
Kenneth Gibson MSP
John Boland, Unite the Union

Convenors opening remarks and approval of minutes

- Convenor welcome and thanks
- Minutes from last meeting formally approved
- Convenor thanked Gillian Martin MSP for sponsoring a Members' Debate on Carbon Capture on 25 November 2021. The debate had to be extended by 20 mins to allow all speakers to participate – showing the keen interest in CCUS.
- Convenor introduces key speaker, Dr Andy Samuel – Oil and Gas Authority (OGA)

Presentation from Dr Andy Samuel, Chief Executive, Oil and Gas Authority (OGA)

- Introduction and thanks
- Offers some context about UK Continental Shelf (UKCS) in global terms
- 0.1% of global reserves and remaining reserves are equivalent to a single development in a major oil producing country.
- However, UKCS is a global leader in terms of skills, experience, excellence and leadership.
- UKCS important for a number of reasons: supporting jobs, developing future energy technologies, technology and manufacturing exports, abating UK emissions.
- Production of oil and gas in UKCS does not meet UK demand and it will likely remain the case that the UK will remain a net importer of oil and gas.
- While Norwegian piped gas holds the benchmark as the cleanest produced gas (in terms of carbon footprint), UKCS gas production is very low emission compared to other international producers.
- The North Sea Transition Deal (NSTD) is a world exemplar in terms of industry working with regulators and government.
- £16bn of investment will be leveraged. 50% local content will boost supply chain. Path to meeting net zero goals by 2050.
- OGA will not approve new fields that don't meet emissions standards and are not in keeping with the NSTD.
- OGA has been impressed with operators in terms of living up to these commitments.
- Also excited about the transition we are witnessing following the ScotWind leasing round
- Innovation shown through INTOG is encouraging and could lead to the electrification of offshore installations.
- 70% of emissions can be avoided through electrification of platforms.
- In all of these areas, operators cannot achieve everything alone. Supply chain organisations are critical. OGA is playing a 'stewardship' role to help and encourage cooperation between operators and SMEs.
- Concerns are being raised about investment in UKCS
- £10bn of investment at grave risk. In any other year, this investment would've progressed by now.
- Investor confidence is low (partly due 'political attacks' on the industry and suggestions of windfall taxes etc.)

- Lack of activity and investment in UKCS has knock on effect for CCUS and hydrogen etc.
- This can be contrasted with Norway, where the industry enjoyed a 'bumper year'.
- Reserves replacement sitting at -33%, which is concerning for security of supply.
- Climate Compatibility Checkpoint consultation open – closes on 28th Feb. OGA of view that this, coupled with NSTD equals a positive way forward for industry and environment.
- This will not apply to existing licences, only new ones.
- Offshore wind is 'aggressively expanding' and by 2050 will match oil and gas demand.

Q&A with Speakers

Gillian Martin MSP: Social inequality is a key issue. During the debate around Cambo, issues like fuel costs, jobs and why such developments should matter to people managing a household budget were lost.

Andy Samuel: Agree with the point. Had a similar discussion with Jake Molloy (RMT) about this recently.

Oil and Gas prices are global, so it is unlikely that UK production can affect these greatly. However, UK production can provide security of supply.

Supply chain action plans and NSTD commitment to local content can create employment in communities. It would be good to see 'teeth' given to ensure these commitments are met.

As with all debates, it's important to challenge disinformation and engage in a factual debate.

Beatrice Wishart MSP: Can more be said about the £10bn of investment at risk?

Andy Samuel: Much of the stalled investment is located West of Shetland (Cambo and Rosebank)

£2bn of decommissioning work looks quite secure.

Many boardrooms waiting and watching to see how things develop. They don't want 'egg on their face'.

Liam Kerr MSP: Presentation slides suggest a dip in oil and gas demand. Can more be said about this? Also, can explanation be given as to why CCUS and floating wind cannot operate in same area?

Andy Samuel: Finite amount of space in UKCS. CCUS projects require helicopter access and reserve wells to be drilled. Also, 4D scanning, through towed scanning devices. None of this can currently be accommodated inside a windfarm. Working with Crown Estate and others to address this.

Climate Change Committee and otherwise constantly revising predictions around supply and demand. For example, cost of renewables fell significantly, so production of renewable energy grew.

Tess White MSP: We live in a small world. What impact are tensions in Ukraine causing?

Andy Samuel: The UK has a good energy supply mix and BEIS deserve credit for that.

Energy security can be improved with more domestic production. While developments take time, investors can respond quickly, particularly given UKCS has existing infrastructure and skills base etc. Investors 'need that signal', however.

Fergus Ewing: Gas storage is a big issue – particularly since the closure of Rough gas storage facility. UK only has days of supply, compared to EU nations who have months. Can this be addressed? Will it be addressed?

Andy Samuel: There are some discussions around this. Investment is 'on the horizon' – both for natural gas and hydrogen.

Again, investors can be given a signal about this to enable it (market signals, investor confidence and appetite are all key).

Higher cost of carbon will see electrification make economic sense. There is a commercial opportunity here, not only through electrification of installations, but also selling to the grid through CFD. This needs to be enabled (access to grid).

AOB

- Convenor brings meeting to a close
- Convenor thanks OGA for their presentation and their work (one of the most important bodies in UK, both as a regulator and the role it plays in enabling and encouraging cooperation between regulators, government, industry and supply chain)
- Convenor looks forward to future meetings – hopefully in person
- Convenor looks forward to site visits, as COVID restrictions ease
- Convenor/Secretariat to contact members and attendees with slide decks and details about future business.