Oil & Gas UK is the leading representative body for the UK offshore oil and gas industry. It is a not-for-profit organisation, established in April 2007 but with a history stretching back over 40 years.

Today we have over 460 members. Membership is open to all companies active in the UK continental shelf, from super majors to large contractor businesses and from independent oil companies to SMEs working in the supply chain.

Our aim is to strengthen the long-term health of the offshore oil and gas industry in the United Kingdom by working closely with companies across the sector, governments and all other stakeholders to address the issues that affect your business.

What are your views on the extent to which Scottish Government policy and spend can lead to increasing exports?

Oil & Gas UK welcomes the Scottish Government's focus on growing exports – the oil and gas supply chain in Scotland is a world class industry - an international success story - and worthy of Government support.

As outlined below, exports for the oil and gas industry are worth almost £15 billion to the UK. A large proportion of the oil and gas supply chain is based in Scotland, particularly around hubs in the North East, Dundee and Highlands and Islands.

A supportive and globally competitive business environment and focused Governments, working together both at national and local level, is critical to maintaining the Scottish supply chain and thus exports.

In 2014 Oil & Gas UK, working with the Department for Business Innovation and Skills (BIS), the Department for Energy and Climate Change (DECC) and the Scottish Government commissioned EY to map the UK’s oil and gas supply chain.

The reports found that the UK supply chain is a £35 billion industry, 42% of which is made up from exports, and that key subsectors of the supply chain had major growth potential.

The EY Report, UK Upstream Oil and Gas Supply Chain - Market Intelligence, identified areas where governments can support the industry.

1. Maximising local UK demand for oilfield services
2. Ensuring the longevity and quantity of domestic offshore and onshore demand as this is a cornerstone of anchoring the upstream oil and gas supply chain in the UK and, in particular, the non-UK headquartered companies
3. Maximising the UK’s attractiveness as a base for foreign exploration and production (E&P) and oilfield services companies
4. Reducing the UK’s supply chain costs and ensuring the infrastructure priorities are adequately addressed to support the UK’s competitive position in the global market
5. Maximising the attractiveness of the oil and gas industry to new sources of labour Encouraging UK graduates and labour from other UK industries to move into the oil and gas industry
6. Maximising the international opportunity for UK companies within the upstream oil and gas supply chain
7. Marketing the UK oil and gas industry’s capability and supporting UK based companies to access overseas opportunities

What are your views on the type and level of public support being provided through the draft budget to increase exports? Is it being targeted in the right areas?
Oil & Gas UK agrees that the “inputs” identified by the Scottish Government should contribute to growing Scottish exports. However, these headline “inputs” must be backed up with continued and long term support from Government to realise export benefits.

For example, any initial foreign direct investment encouraged by RSA (Regional Selective Assistance) funding to encourage a firm to set up a base in Scotland should be followed by support to link in to the domestic supply chain and local workforce.

Oil & Gas UK would also back Government showing support for not only operators and tier 1 contractors but also SMEs which may require on-going support once they have entered a new geography.

Finally, a common comment from the Oil & Gas UK membership is that the landscape for export support is cluttered. It can be unclear which department or government agency our members should approach for information. We recommend greater clarity about which Government agency provides support, exactly what support is available, who can access this support and how and how to avoid duplication.

What alternative spend would you propose within the draft 2015-16 budget and from what area should such resources be diverted?
While we agree that the inputs identified by the Scottish Government should support Scottish exports, we believe that practical improvements to Scotland’s infrastructure, particularly around key energy hubs, should also be included.

The EY report “UK Upstream Oil and Gas Supply Chain - Market Intelligence” identifies threats and barriers to key subsectors of our supply chain. Although many of the threats and barriers highlighted fall within the reserved remit of the Westminster Government, the report also highlighted the increasing costs of working in Aberdeen (labour, office space, housing), scarcity of skilled labour, inadequate civil infrastructure (roads, air and rail). This has led to a trend for some companies to move parts of, or set up new component parts of their businesses elsewhere within the UK. A continued dispersing trend would reduce the benefits associated with the cluster effect within Aberdeen and also the overall upstream oil and gas supply chain
anchoring effect. Improving infrastructure in and around Aberdeen would benefit Scotland as a whole, as it would give businesses right across the country better access to opportunities in this oil and gas hub.

Not all these improvements will be at an extra cost to Government, as many are already are probably embedded and budgeted for in the National Planning Framework. Given the importance of improving infrastructure to growing exports, Oil & Gas UK believes that the Scottish Government should include such practical logistical improvements as part of the business case to grow national exports.

The report also identifies subsectors of the oil and gas supply chain in which there is significant growth potential, namely Engineering, operations, maintenance and decommissioning contractors (EOMD), Drilling and well equipment design and manufacture (DWEDM), marine and subsea contractors and equipment. So Oil & Gas UK recommends that the Scottish Government focus its export levers on these new areas to ensure that Scotland retains its world class supply chain.