

Minute note - Cross Party Group on Oil and Gas

Held on Tuesday 1 March, 18:00-19:30

Committee Room 6, the Scottish Parliament, Edinburgh, EH99 1SP

In Attendance

MSPs:

Tavish Scott [**Chair**]

Chic Brodie

Christian Allard

Lewis Macdonald

Kevin Stewart

Maureen Watt

Mark McDonald

Nanette Milne

Non MSPs:

Ailsa Nicol, Oil & Gas UK

Andrew Curtis, Edinburgh University

Brian Donaldson, Semco Maritime

David Hoy, Oil & Gas UK

David Rennie, Scottish Enterprise

Gordon McGuinness, Skills Development Scotland

John West, Office of Maureen Watt MSP

Louisa Macdonell, Scottish Enterprise

Luke Skipper, Weber Shandwick

Malcolm Dickson, Wood Mackenzie

Mark Whittet, Scottish Energy News

Martine Nolan, Xodus Group

Mike Tholen, Oil & Gas UK

Neil Anderson, Ledingham Chalmers LLP

Neil Michie, Oil & Gas UK

Padraig McCloskey, Shell

Apologies

MSPs:

Alison McInnes

Dennis Roberston

Jackie Baillie

Rhoda Grant

Non-MSPs:

Ally Rae, BP

Bill Cattanach, OGA

Christine Jones

Fiona Bayne, Shell

Iain Brodie, Total

James Strolland

Jill Glennie, EnQuest

Karen Seath, Decom North Sea

Megan Hine, Control Valve Solutions Ltd

Neville Howlett, PwC U

Shirley Allen, Pinsent Masons LLP

Tavish Scott MSP (TS) welcomed MSPs and non-MSP members to the Cross Party Group and opened the meeting with round-table introductions. Following this, TS introduced the two speakers, Mike Tholen (MT), Economics & Commercial Director of Oil & Gas UK, and David Rennie (DR), International Sector Head (Oil and Gas), Scottish Enterprise.

TS then carried out the formal business proceedings of the AGM – those present approved the work the Group had carried out in the last year, and approved the confirmation of its membership and financial benefits received.

MT then gave an update about the economic state of the industry and the 2016 Activity Survey. Headline messaging from the report included:

- Production on UKCS rose by 9.7% in 2015 to 1.64 million barrels of oil equivalent per day.
- Industry has made substantial progress in reducing costs and improving efficiency – average unit operating costs fell from \$29 to \$21, and are expected to fall by a further 20% in 2016.
- Revenues fell by 30% between 2014 and 2015, to £18.1 billion.
- Nearly half of UKCS oil fields (43%) are likely to be operating at a loss in 2016 at \$30 oil price.
- Less than £1 billion of fresh capital is expected to be sanctioned in 2016, compared with an average of £8 billion per annum over the preceding 5 years.

MT also outlined where further fiscal measures could help to ensure the longevity of the UK Continental Shelf.

David Rennie then gave a progress update on the Energy Jobs Taskforce (EJTF), and highlighted what support was available to individuals, companies and the sector as a whole from Enterprise Agencies. DR outlined the recent £12.5 million funding that Scottish Enterprise had been allocated, comprising of £10 million for them to help firms kick-start innovation projects and £2.5 million for senior industry experts to conduct business resilience reviews.

DR also talked about the challenge of changing industry attitudes and behaviours, and the need to permeate the so-called 'perma-frost' that exists amongst middle-manager resistant to change. DR highlighted the need to transition skills from oil and gas into other sectors, and the knowledge that could be gained from learning from other industries. He also told the group that the EJTF is mapping out the numbers and profiles of those coming out of the industry as well as opportunities in other sectors and expects to have an update by the end of the month.

TS then moderated a Q&A session, which covered topics such as job loss figures; the extent to which fiscal changes would help the industry; data collection of industry redundancies; agency support for companies trying to enter new international markets; opex reduction in the industry; the role of the industry regulator; and decommissioning trends.

TS then thanked all attendees for their input, before formally closing the meeting.