

UK vision 2035

Preserving the basin and maintaining production during the Energy Transition

Will Webster, Energy Policy Manager

3 key questions...

1

How is the current business environment impacting the industry?

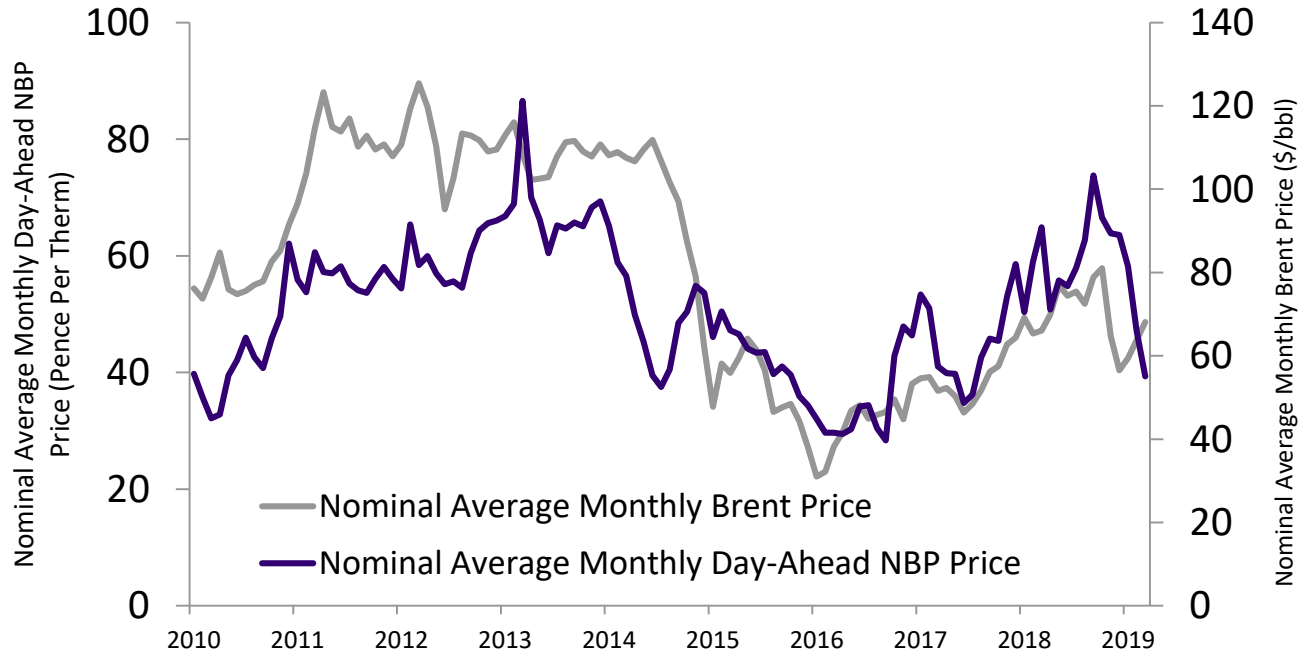
2

How are E&P companies responding to the 'new reality'?

3

What does our future hold given Energy Transition?

Markets continue to see volatility while futures prices remain conservative, reinforcing investor caution



Brent crude prices averaged \$71.20 per barrel (bbl) in 2018, however seen a swing of more than 40% in the final quarter

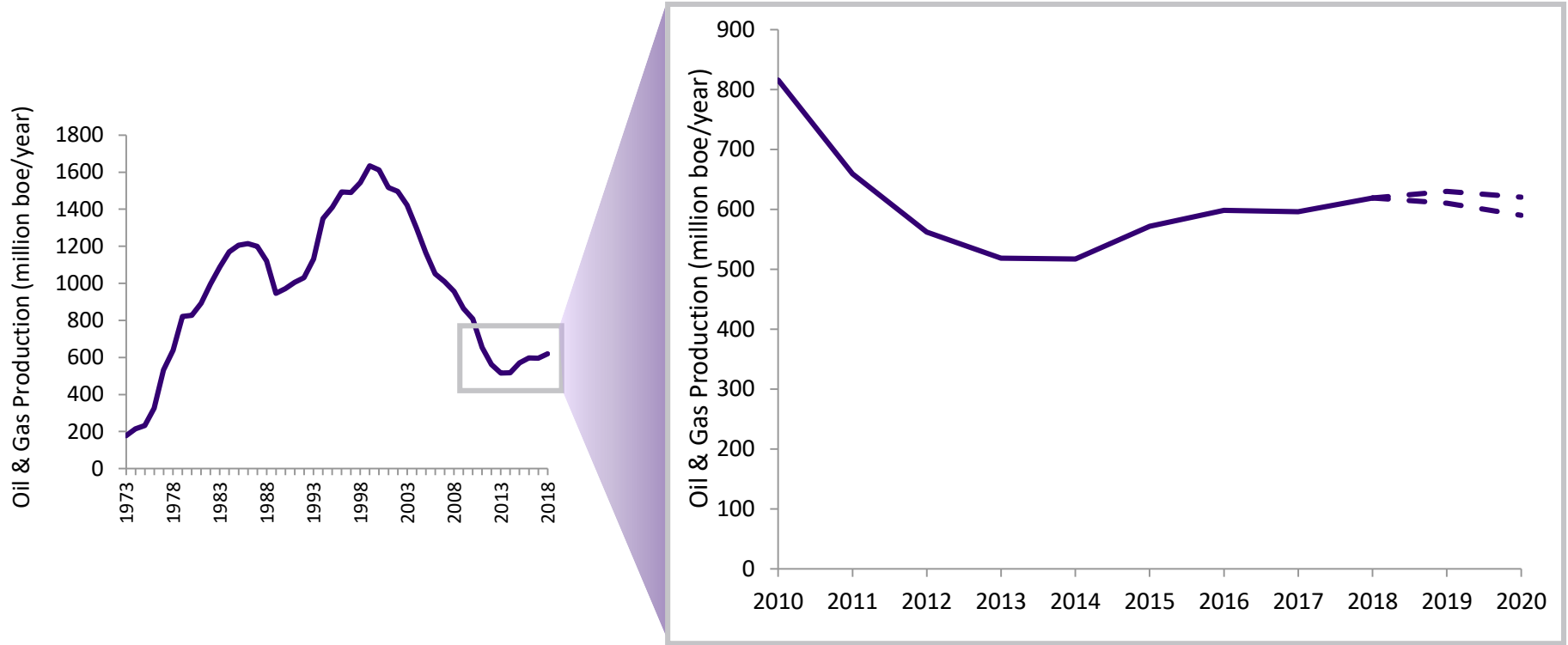
The NBP gas price averaged around 60 pence p/th in 2018

33% higher

than 2017

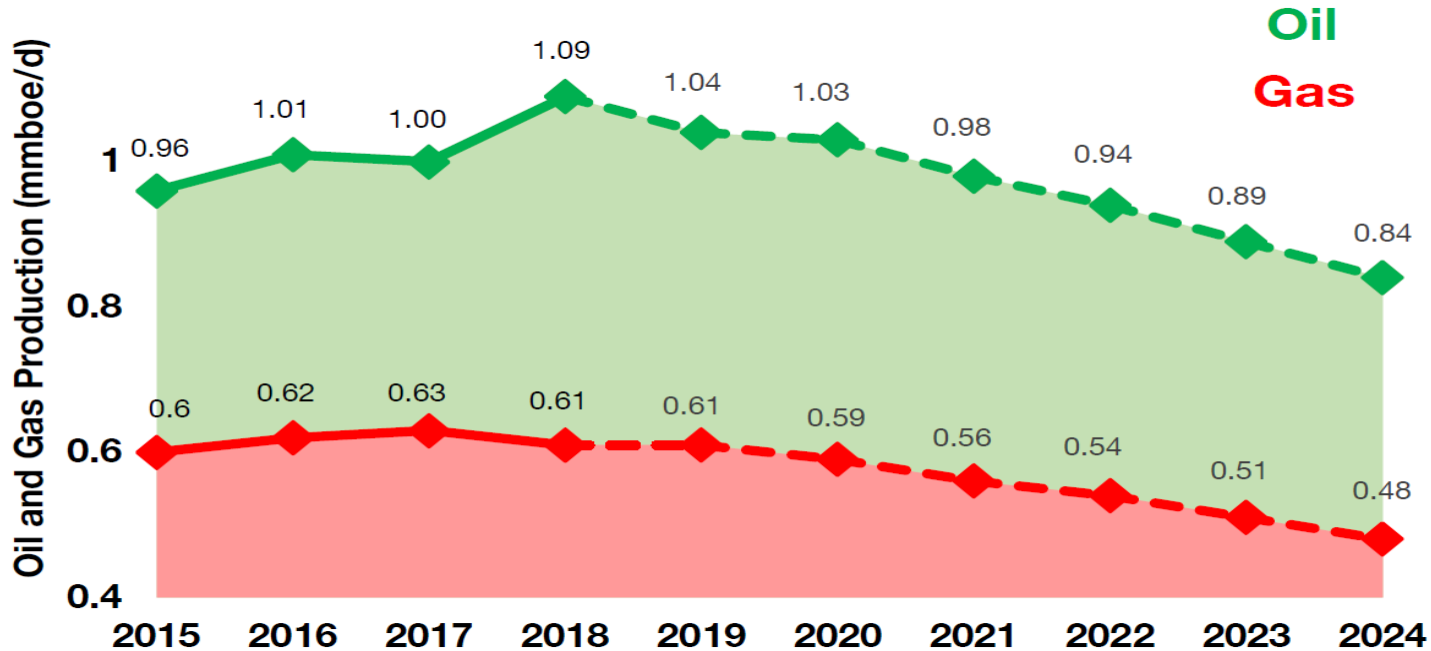
Source: EIA, Bank of England

Overall production decline has been halted thanks to investment earlier in the decade



Source: BEIS, OGA

However production is expected to fall in the medium term



Source: OGA

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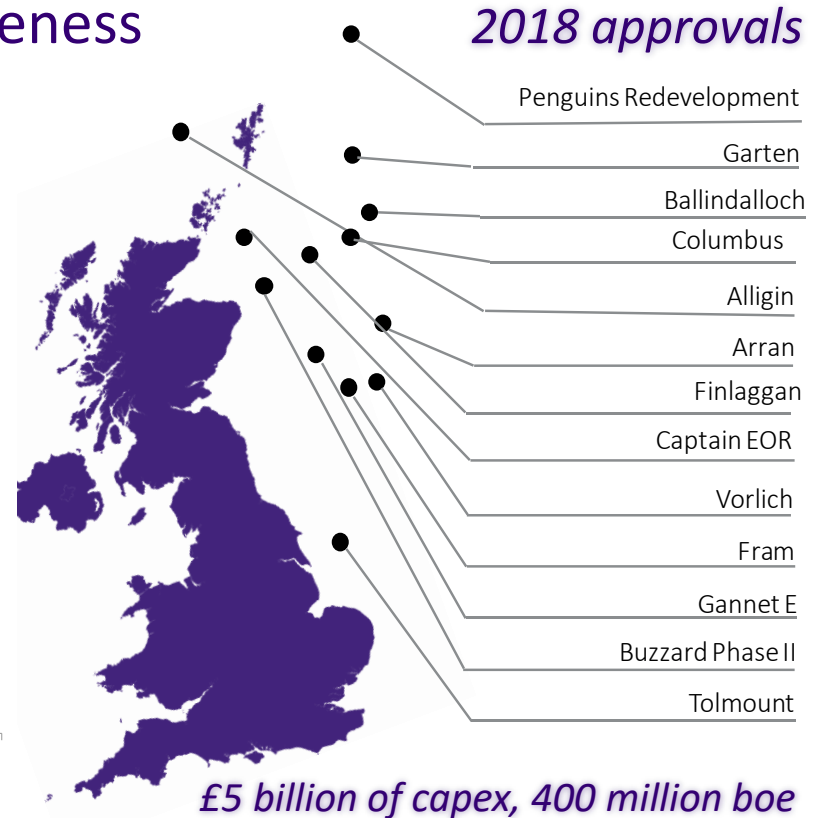
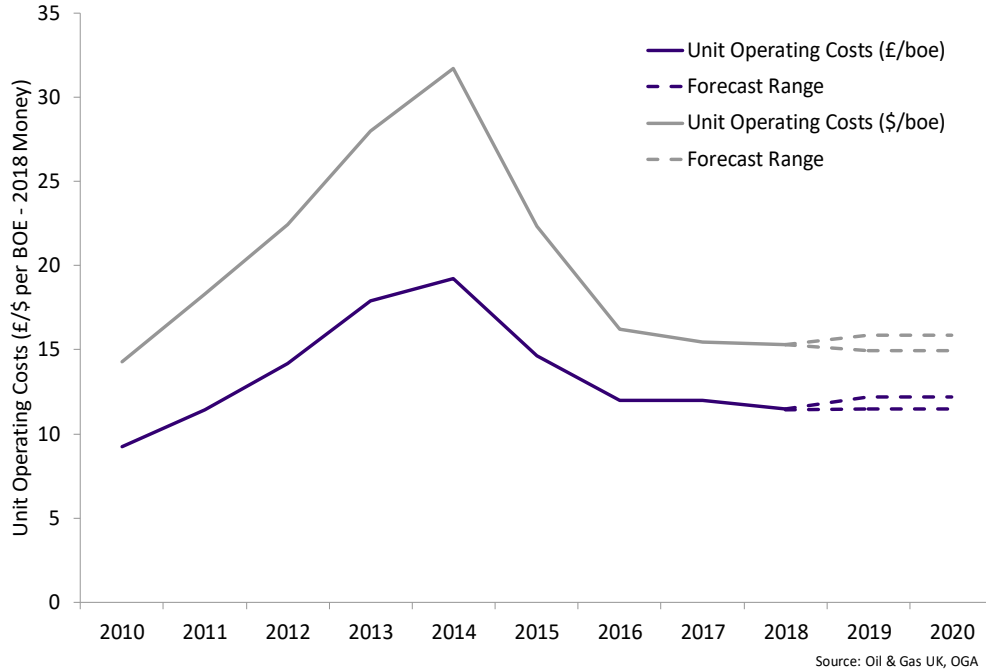
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The basin's focus on cost discipline and efficiencies continues; increasing our competitiveness



Momentum is building around exploration and companies recognise the value the UKCS can bring to their portfolios

2018 Highlights

March

Garten
10 million boe
discovery by
Apache

Glendronach
175 million boe
discovery by
Total

Sept

Agar-Plantain
50 million boe
discovery by Azinor
Catalyst

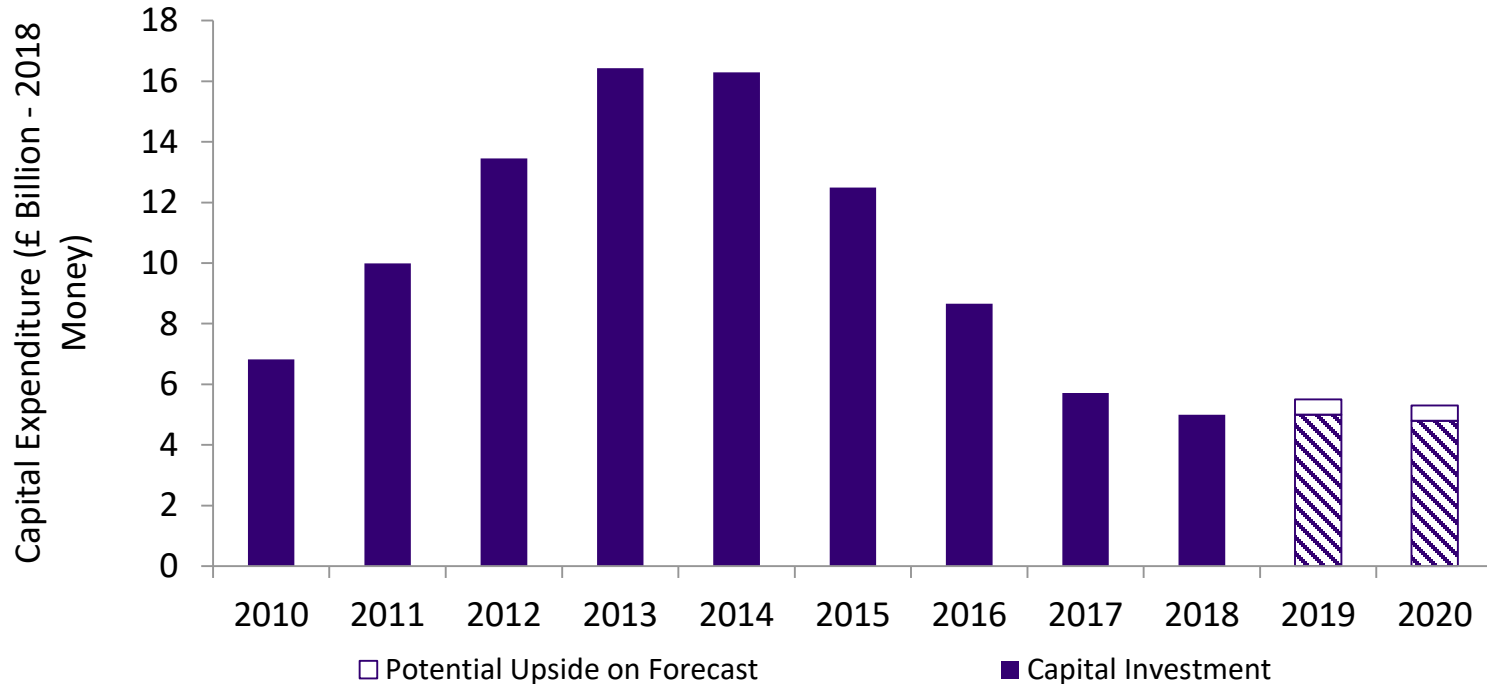
Nov

Glengorm
250 million boe
discovery by
CNOOC

Dec



Steady investment and project approvals will be key; 2019 will be a year of stabilisation



Source: OGA, Oil & Gas UK

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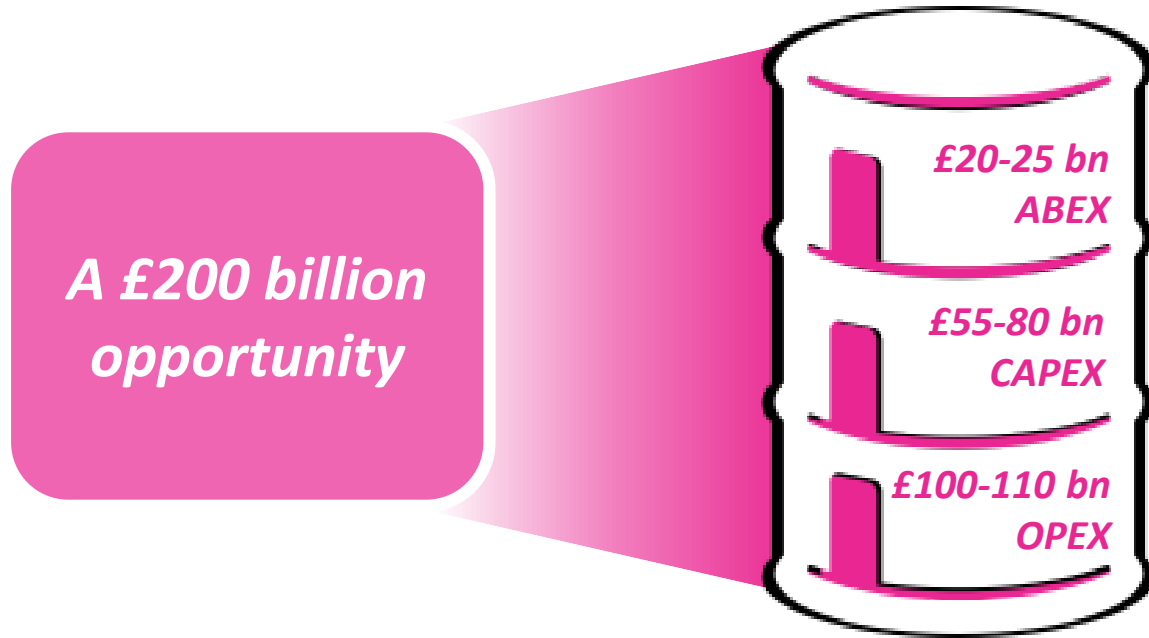
How are E&P companies responding to the 'new reality'?

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What does our future hold given Energy Transition?

Vision 2035 provides a huge opportunity for both E&P and supply chain companies

**VISION
2035**



Adding another generation of productive life to the UKCS; a vital part of a 21st Century energy industry

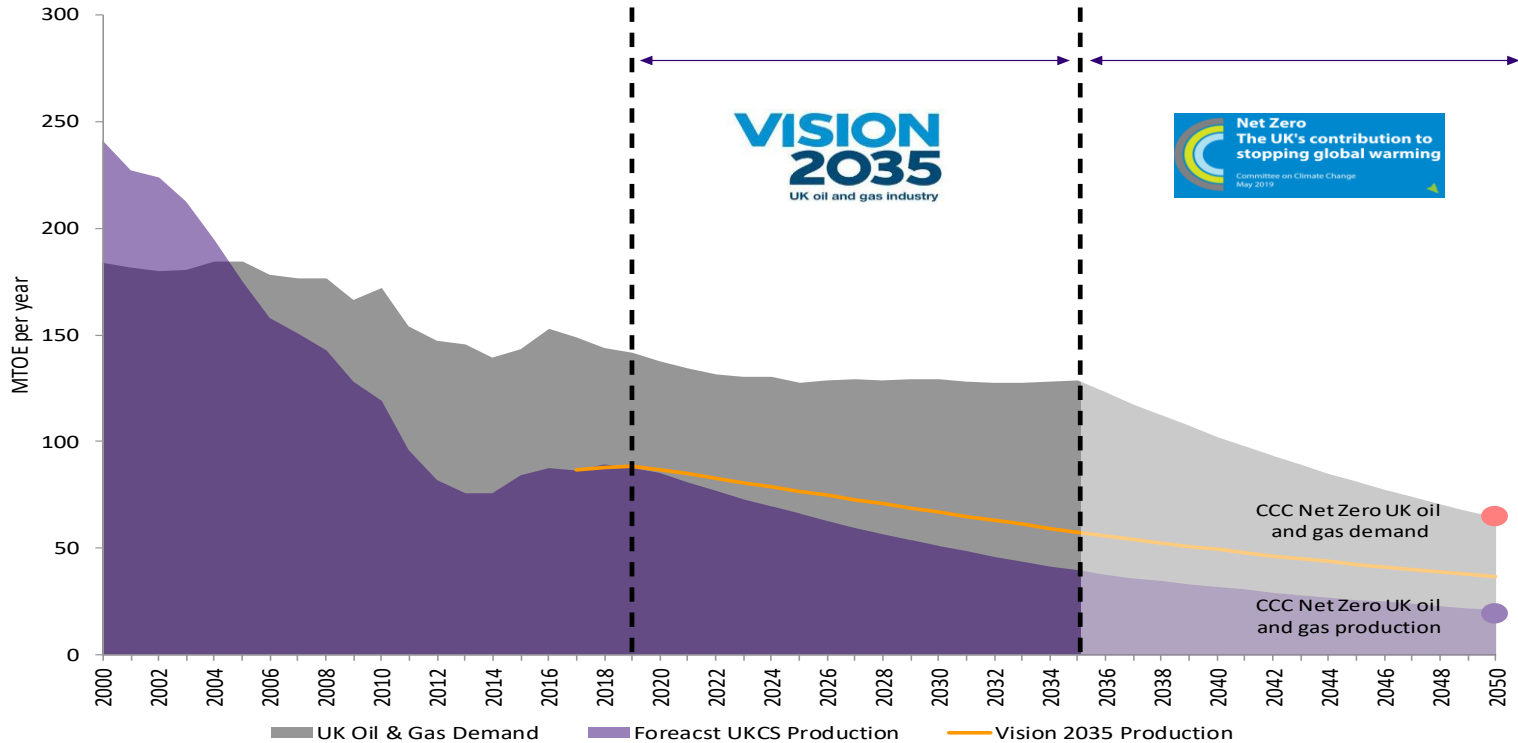
But UK oil and gas businesses will need to align business models to a net zero future

Summary of CCC recommendations

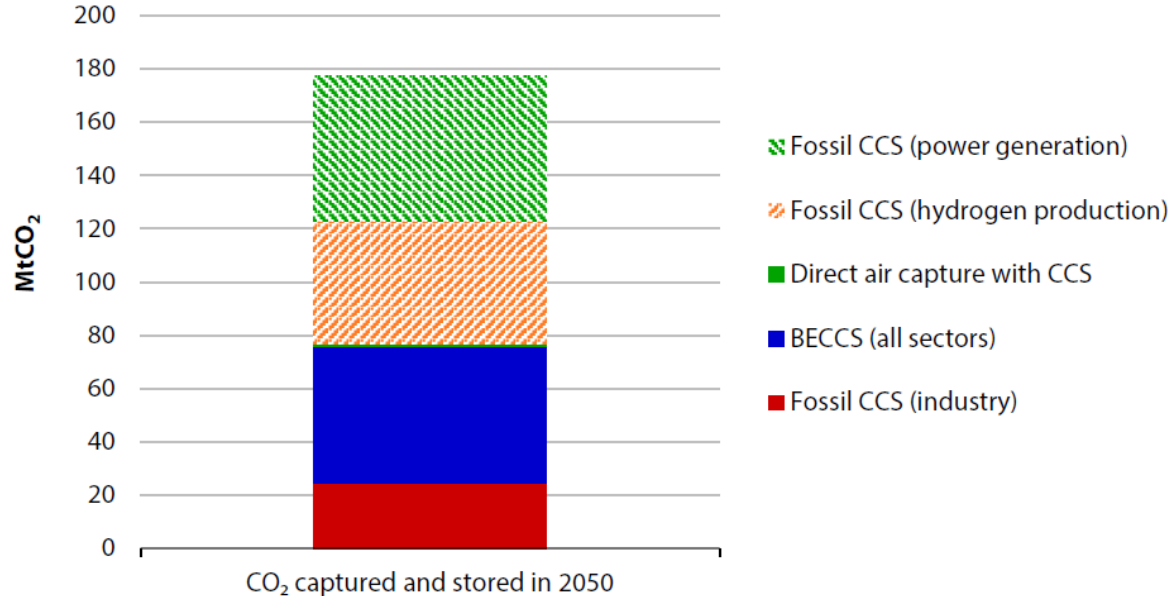
- UK should set a net zero GHG emission target for 2050.
- All emissions to be removed from all sectors. Annual cost to the economy estimated at 1-2% of GDP
- Industrial sectors (incl. oil and gas) to be decarbonised at estimated cost of £10-20bn p.a at implied carbon price of £120/tCO₂e
- CCC supportive of “energy sovereignty” and UK oil and gas production estimates broadly consistent with our projections:
 - 40% lower by 2035
 - 80% lower by 2050
- CCUS and Hydrogen are “essential” to Committee’s recommendations



Although Vision 2035 is consistent with the “zero carbon” pathway set out in the UK Climate Change Committee report



Carbon capture is the next frontier for offshore activity in UKCS



“CCUS is a necessity, not an option”

Source: CCC analysis.

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