

## **WESTMINSTER ENERGY FORUM**

### **TRENDS IN UK OIL AND GAS**

#### **‘Whither Gas in a High Oil Price World’**

I’m delighted to come back briefly to the UK oil and gas world this morning, although living in and representing the town of Lowestoft, with four or five highly visible offshore platforms currently under construction in our harbour, I’ve never really been away!

In my years as Chair of the APPG I had the pleasure of learning a great deal - directly from the oil and gas companies themselves and from the great offshore events at Aberdeen and Stavanger – and of attending the opening of that huge investment, the Langeled gas pipeline.

Of course, the area I represent has played a key role (since the very start in the 1960s) in the development of the Southern North Sea – the great gas basin. And I’ve been fortunate to visit some of those offshore platforms, including a NUI!

From all this, I’ve learned a number of things:

- How important the UK industry is in meeting the country’s energy needs.  
In 2006 the UKCS provided 96% of our oil needs and 92% of our gas needs.
- Although in the 60s it was predicted to last 25 years, we still have somewhere between a third and a half of our reserves left. And it is our most secure source of energy supply.

- How important it is to the UK economy – with 480,000 jobs. The single most important contributor to the UK industrial sector - £11bn pa.

But we will only recover those remaining reserves if it's economic to do so. Although we now have an industry of leading edge technology and innovation, it is more costly to develop smaller and more challenging fields.

\$100 dollar oil, though, is a strong incentive to do so.

We've had 24 new entrant companies in recent years. The last licensing round received a record 147 applications, with a near record 150 licences awarded to 104 companies

And we anticipate that the 25<sup>th</sup> Round, early in the new year, will be another record round, encouraging a high level of the new Promote and Frontier licences, attracting even more companies to the UKCS.

But of course, these days gas price doesn't automatically follow oil price. It can be, and is, divergent – with big ups and downs.

I've listened to Southern Sector companies so I don't underestimate the challenge that needs to be overcome to recover the remaining gas within a timescale in which we can use existing infrastructure to tie back to.

But PILOT, the joint government/industry task force, is a highly effective forum to tackle that challenge.

And the Treasury is in discussion with the industry, seeking views on the structure of the the North Sea fiscal regime as the basin continues to mature.

As a constituency MP, and as Chair of the APG, seeing oil price rise while gas fell, I sometimes asked the industry if it wanted oil and gas to be treated fiscally as the two different commodities they are. I received various different responses. I wonder what today's discussions will bring forth?

Gas storage is important. Looking to the legislative programme, the government recognises that, and wants to streamline the planning process to speed up the decision making process for all energy infrastructure projects. Also, an Energy Bill will create a framework to enable investment in CCS, and improve the offshore regulatory regime.

In a world of rising demand, even with energy saving, we'll need all the energy we can find. We will need oil and gas, but we will need to use fossil fuels in a different way to reduce CO2 emissions.

I know that many companies here today have contributed to PILOT and the Treasury discussions, and to the consultations on legislation. I hope that we can continue to work together to ensure a healthy and vibrant oil and gas industry in the UKCS for many decades to come.