What do low oil prices mean for the Scottish energy sector?

Mike Tholen – Upstream Policy Director, Oil & Gas UK
9th November 2016
Agenda

• Scottish energy sector
• Changing energy demand in the UK
• Oil price review in the last decade
• Oil and gas industry outlook
• Supply chain perspective
Scottish Energy Sector

- Oil & Gas Production
  - Conventional
  - Unconventional
- Renewable Resources
  - Existing Technologies
  - Emerging Technologies
- Electricity Generation
- Energy Supply Chain
  - Carbon Capture and Storage
Key industry risks

- Fiscal Stability
- Commodity Price
- Energy Policy
- Operational Excellence and Safety
- Supply Chain Capacity
- Competitive-ness of the UKCS

Industry response and mitigation
Oil price will shape the future of the industry

Average oil price over the last decade is $82 /bbl

Source: EIA
Industry returns have varied significantly over the oil price cycle.
Collapse in new investment will also be critical

Capital investment comes almost entirely from pre-2016 commitments:
Capital investment comes almost entirely from pre-2016 commitments.

Source: Oil & Gas UK
Discovery size trend in the last decade

![Graph showing discovery size trend](chart.png)

Source: Wood Mackenzie

Scottish Energy Seminar | 9th November 2016
Production outlook uncertain despite recent strong investment
Projected energy demand in the UK to 2035

- **a** Demand by fuel type
- **b** Final energy demand by transport
- **c** Final energy demand by industry
- **d** Domestic final energy demand

Source: DBEIS/OGA - Updated energy and emissions projections 2015
The supply chain is under pressure, making the future hard to call.

Areas of the business supporting production have held up better than some, but the whole sector faces an uncertain 2017.

Exploration and decommissioning stimulation is needed to increase supply chain activity.
The big opportunity – maximising the value of Scotland’s energy sector

2016 - 2035
Vision: Delivering £900 bn in value

- World class competitiveness
- Realising the full hydrocarbon potential of the UKCS - barrels and supply chain
- Expanding Scotland's service sector, increasingly specialised, diversified and internationalised

UKCS income of £400 bn
12 bn boe recovered

Exports of £500 bn

OIL&GAS UK