



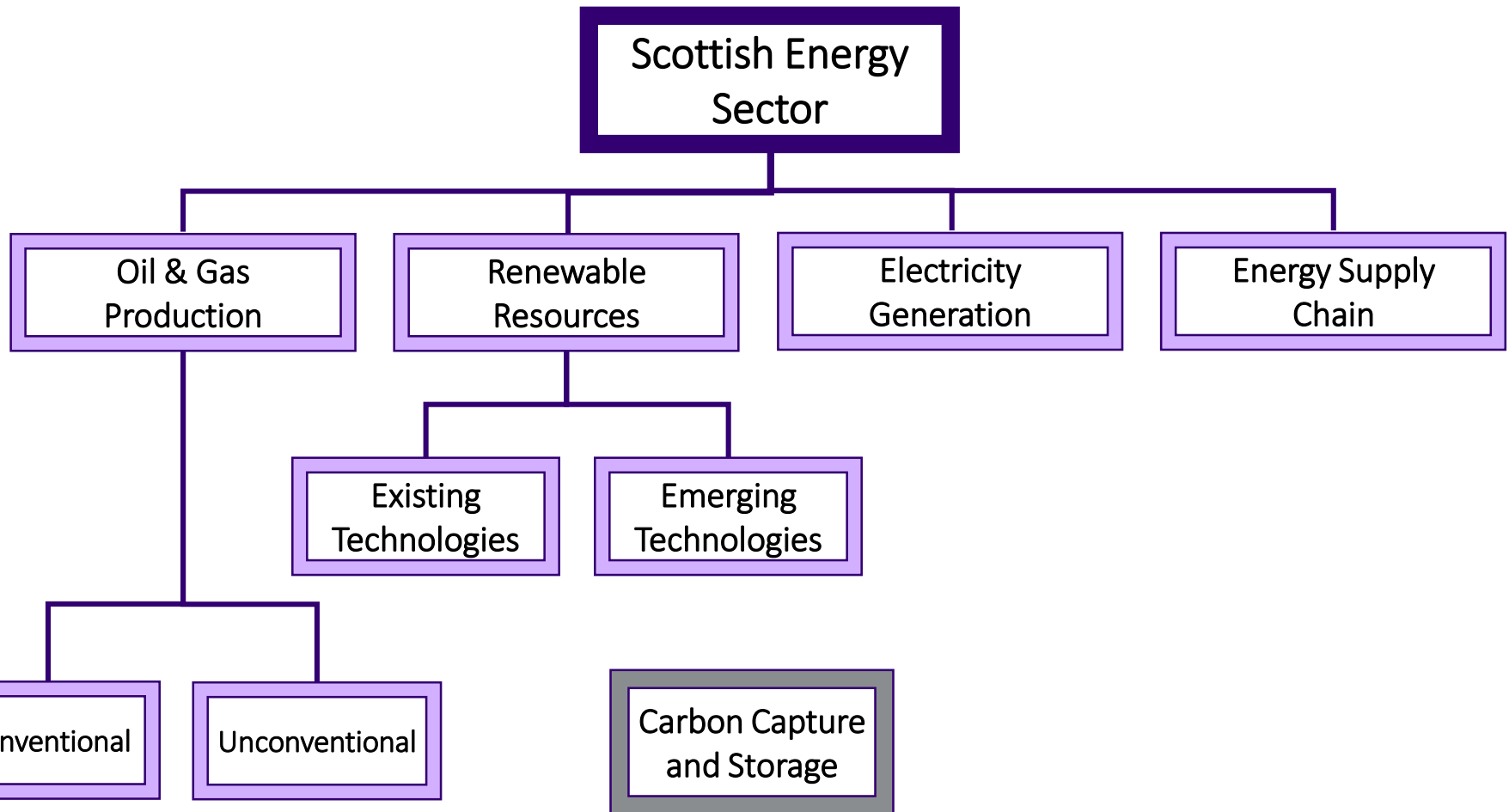
What do low oil prices mean for the Scottish energy sector?

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

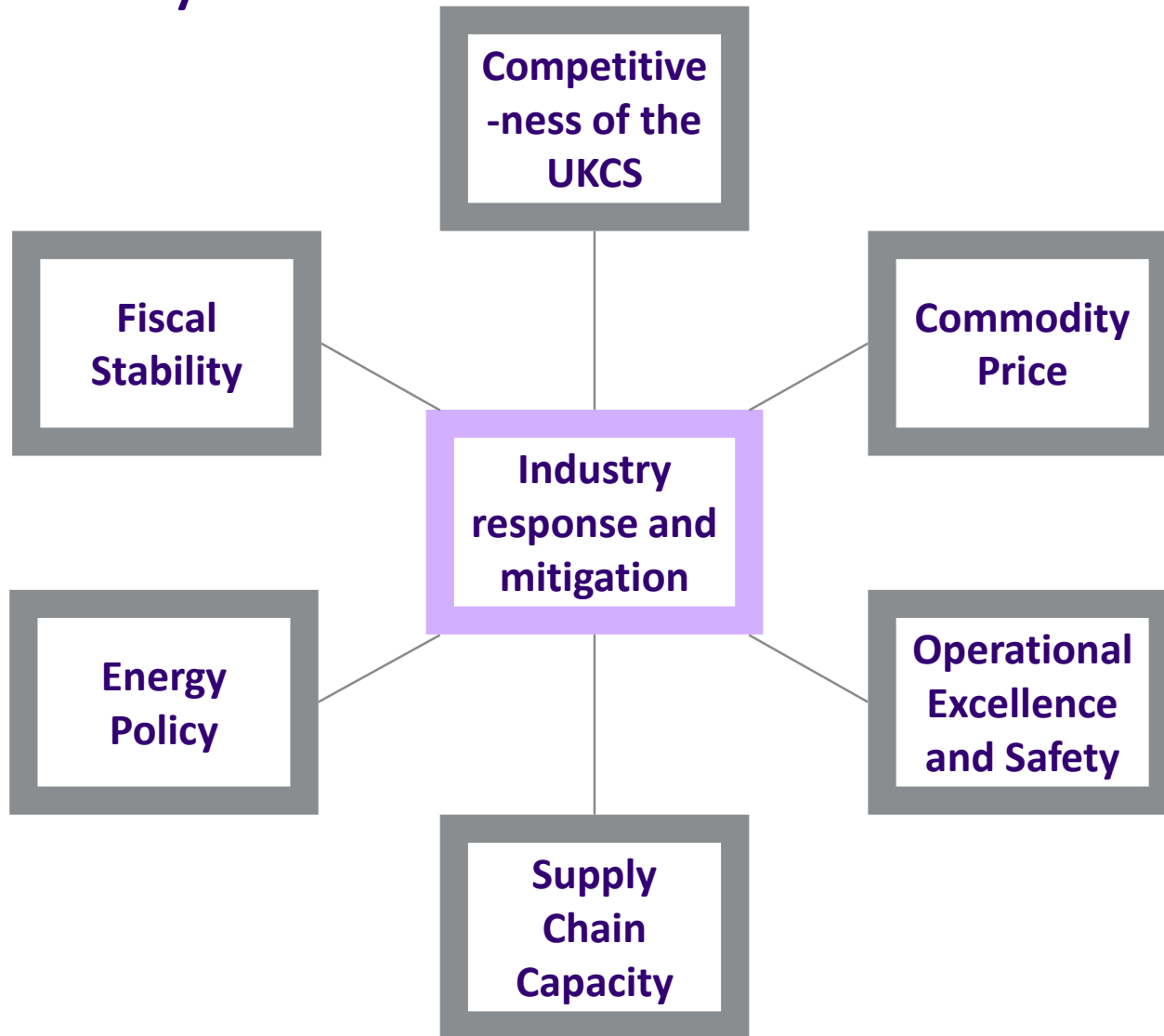
Agenda

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

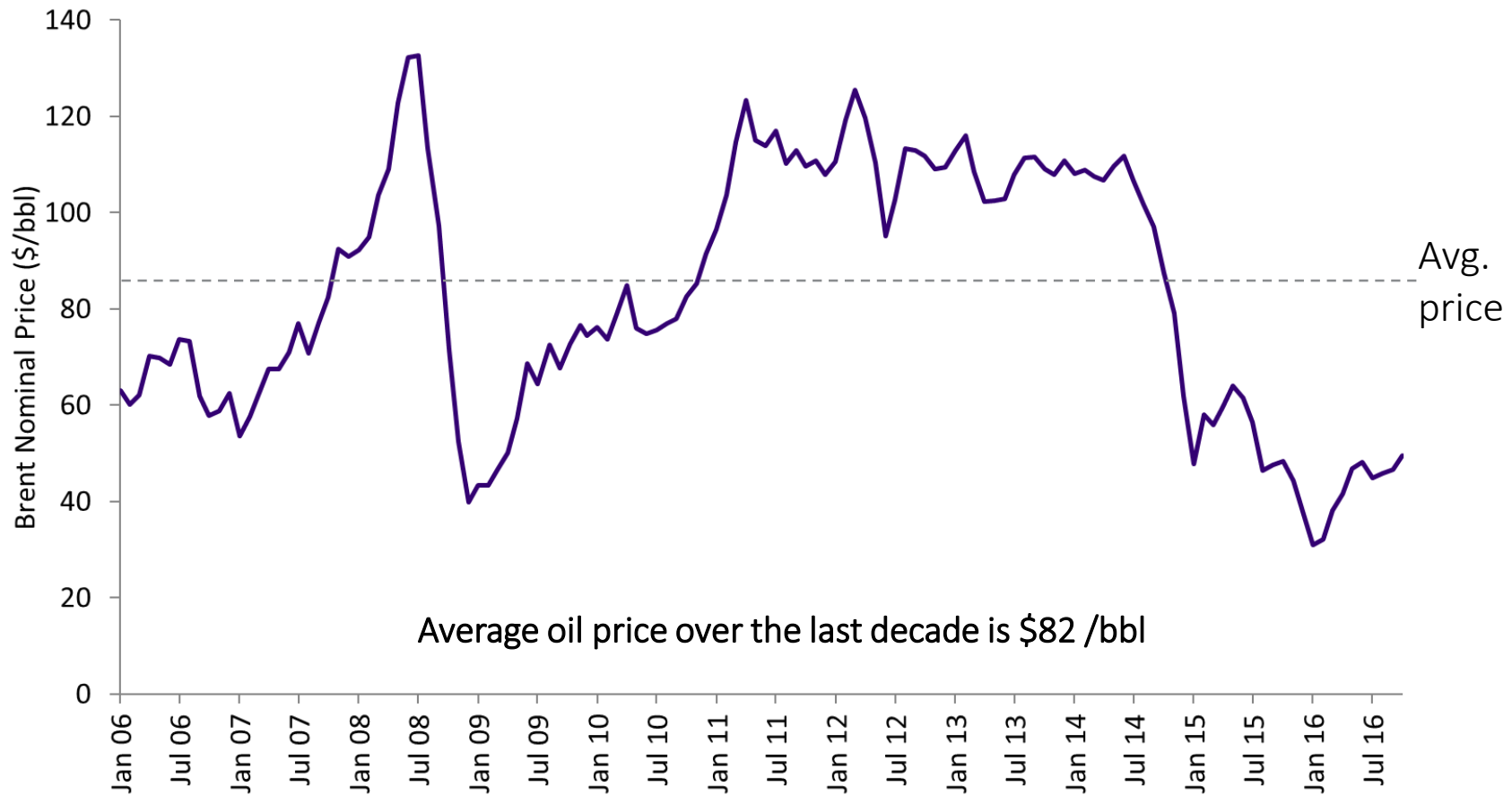
Scottish Energy Sector



Key industry risks

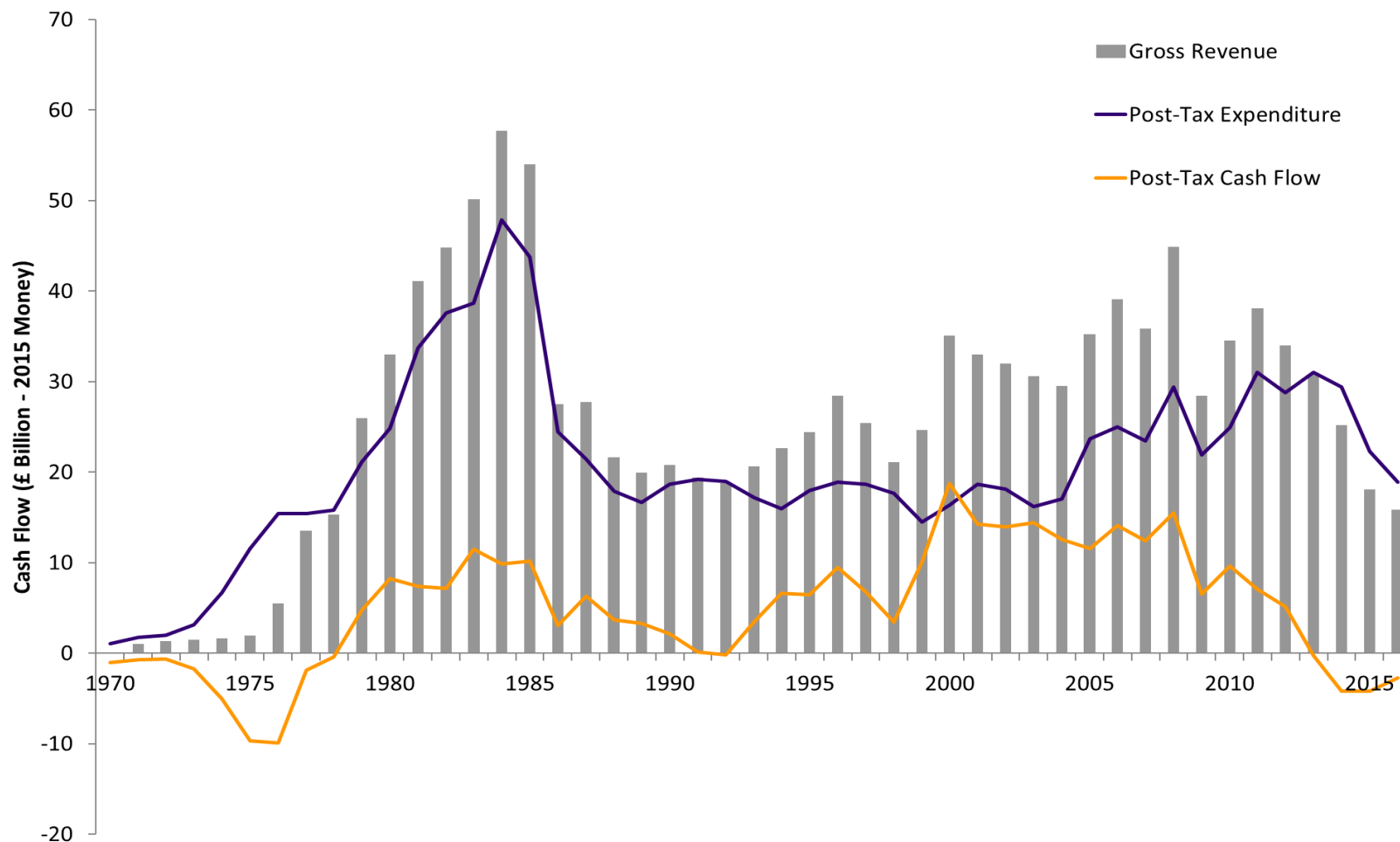


Oil price will shape the future of the industry



Source: EIA

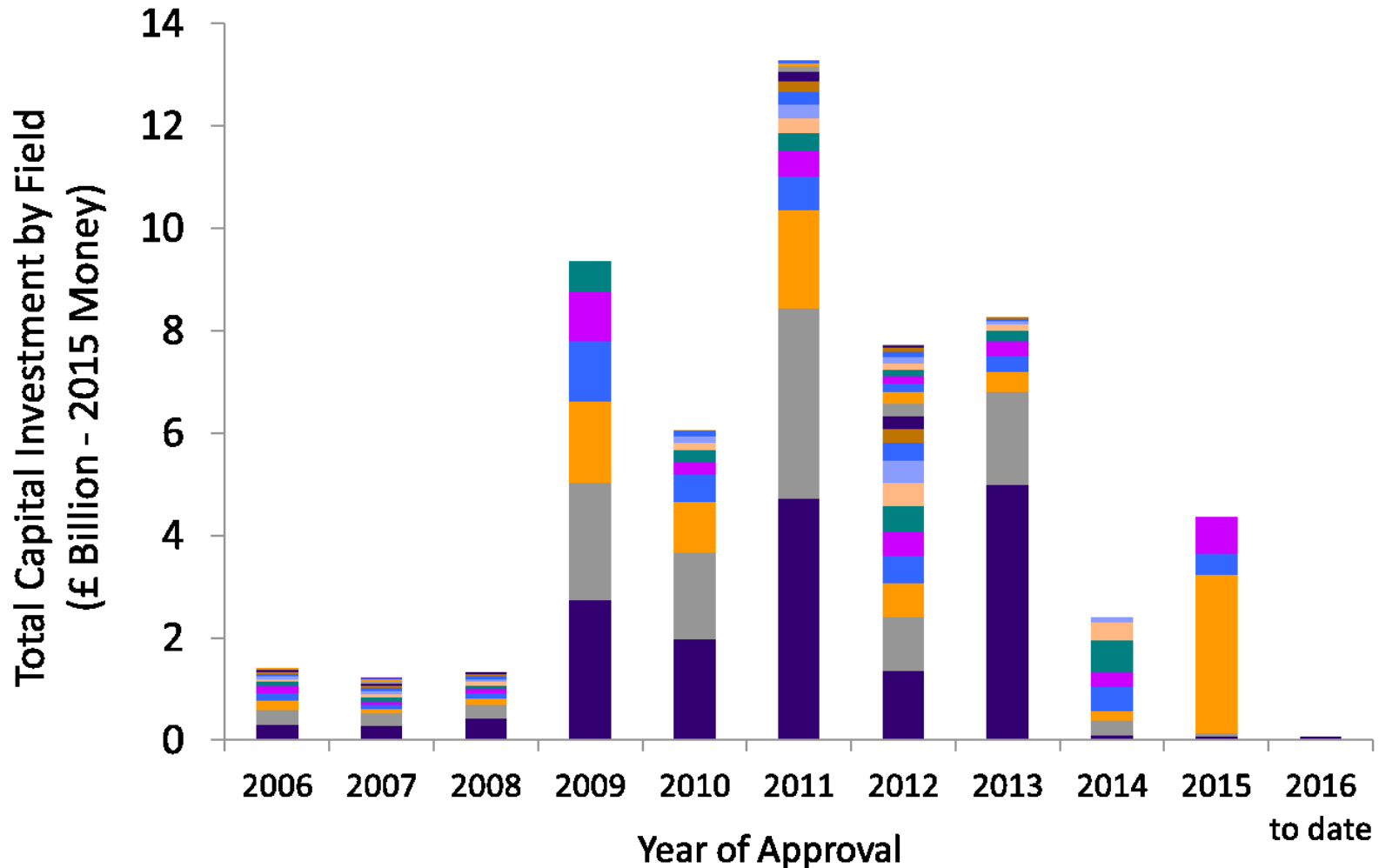
Industry returns have varied significantly over the oil price cycle



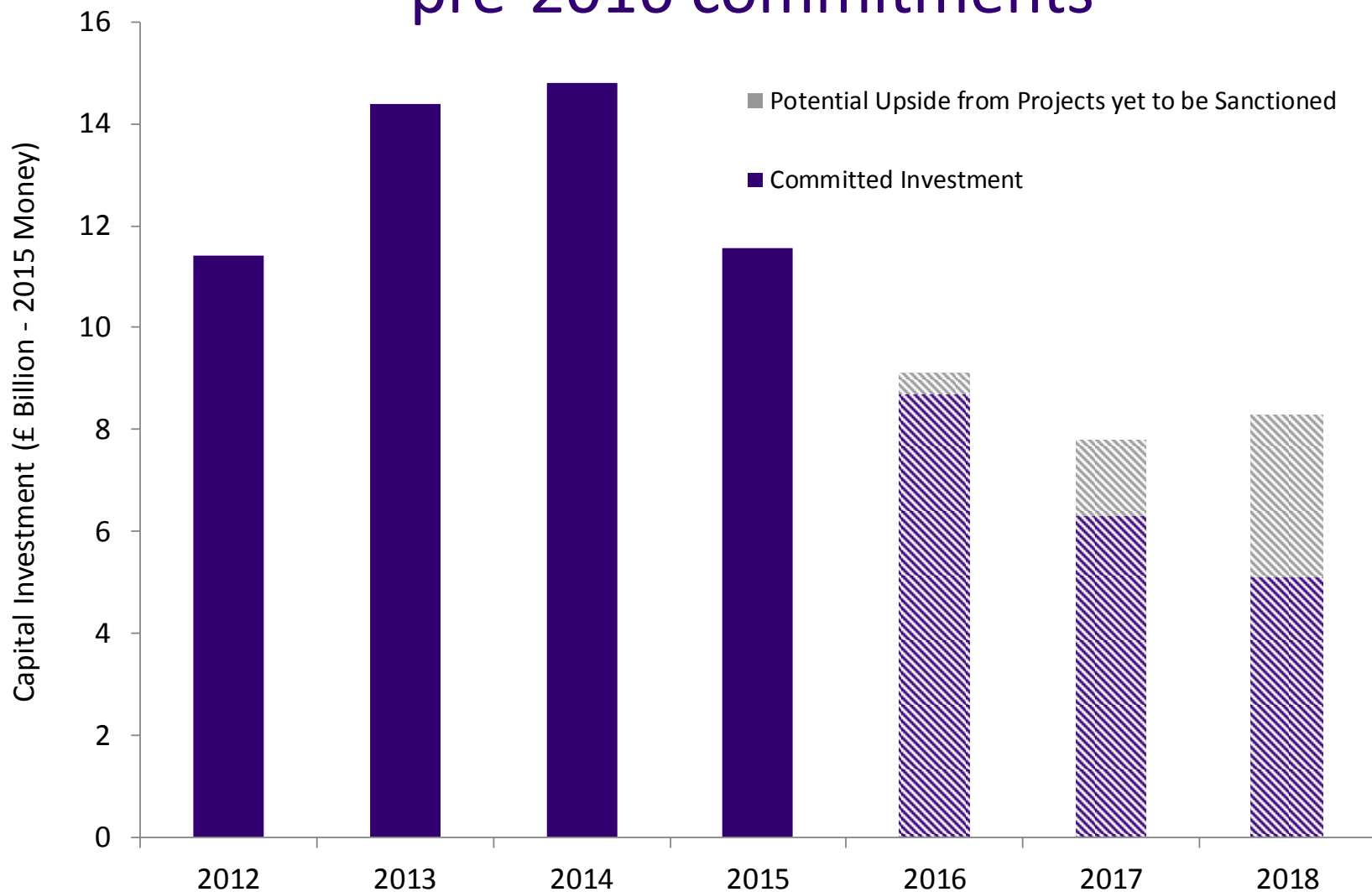
Source: Oil & Gas UK, OGA

Collapse in new investment will also be critical

Capital investment comes almost entirely from pre-2016 commitments:

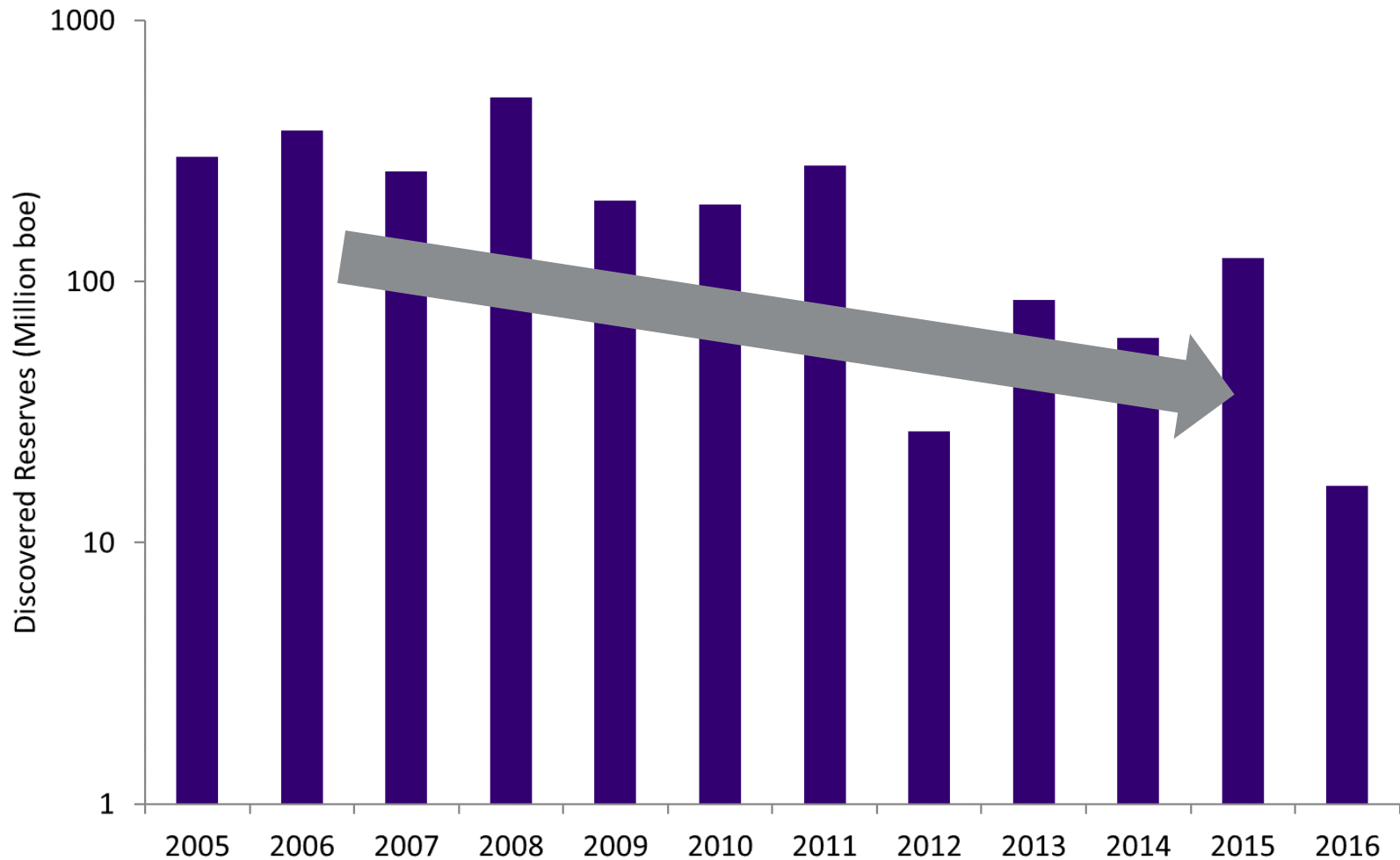


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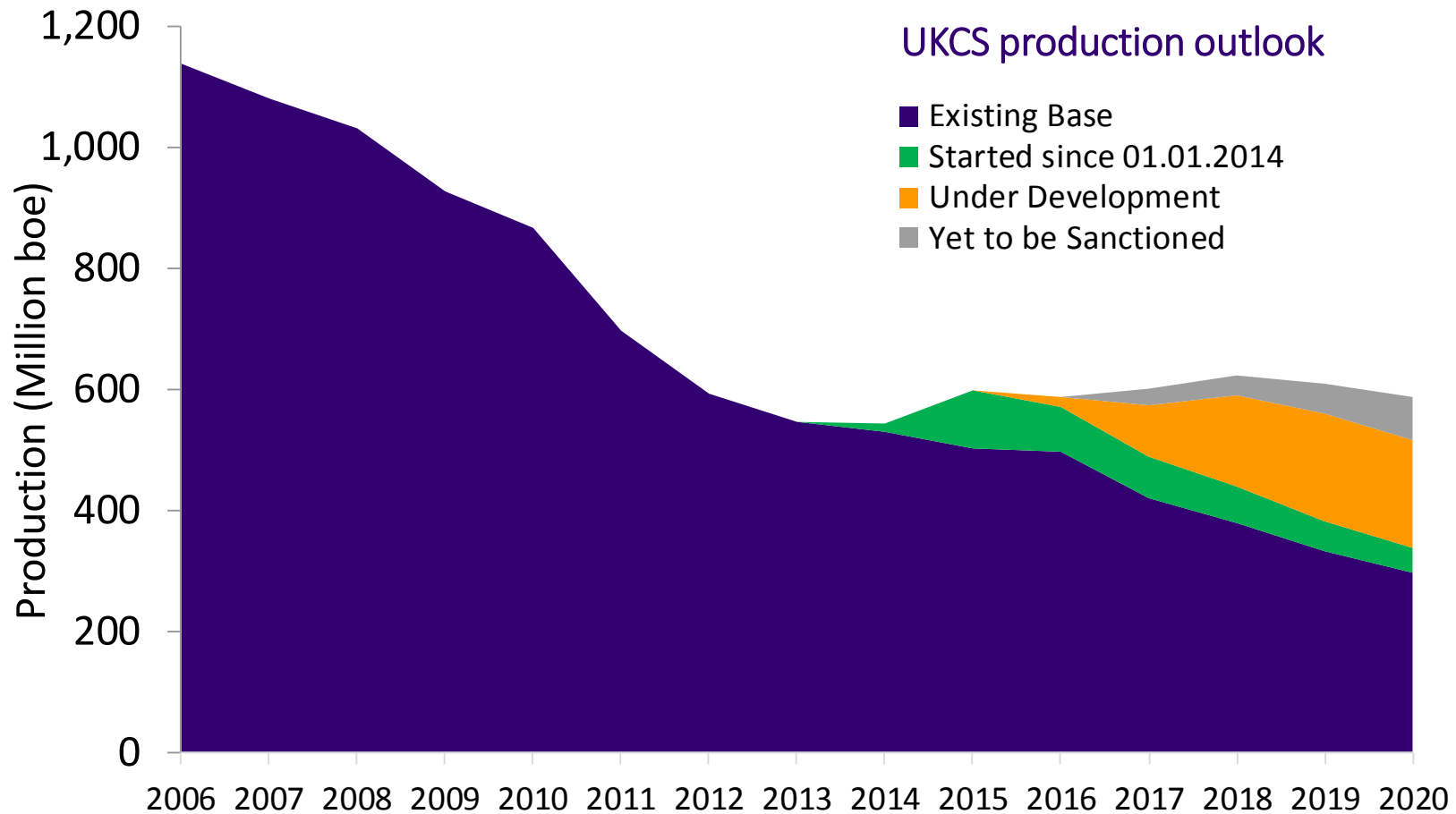
Source: Oil & Gas UK

Discovery size trend in the last decade



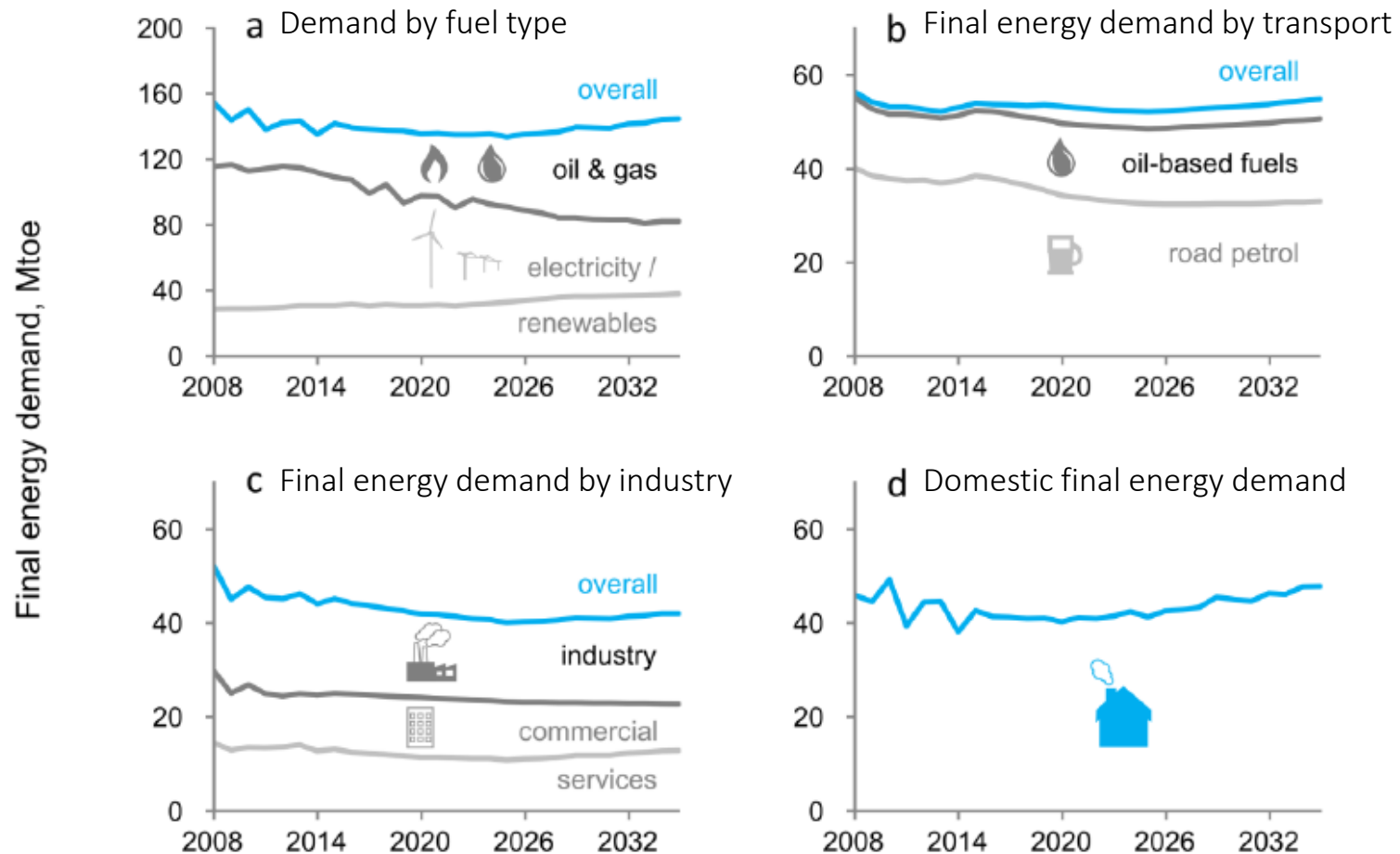
Source: Wood Mackenzie

Production outlook uncertain despite recent strong investment



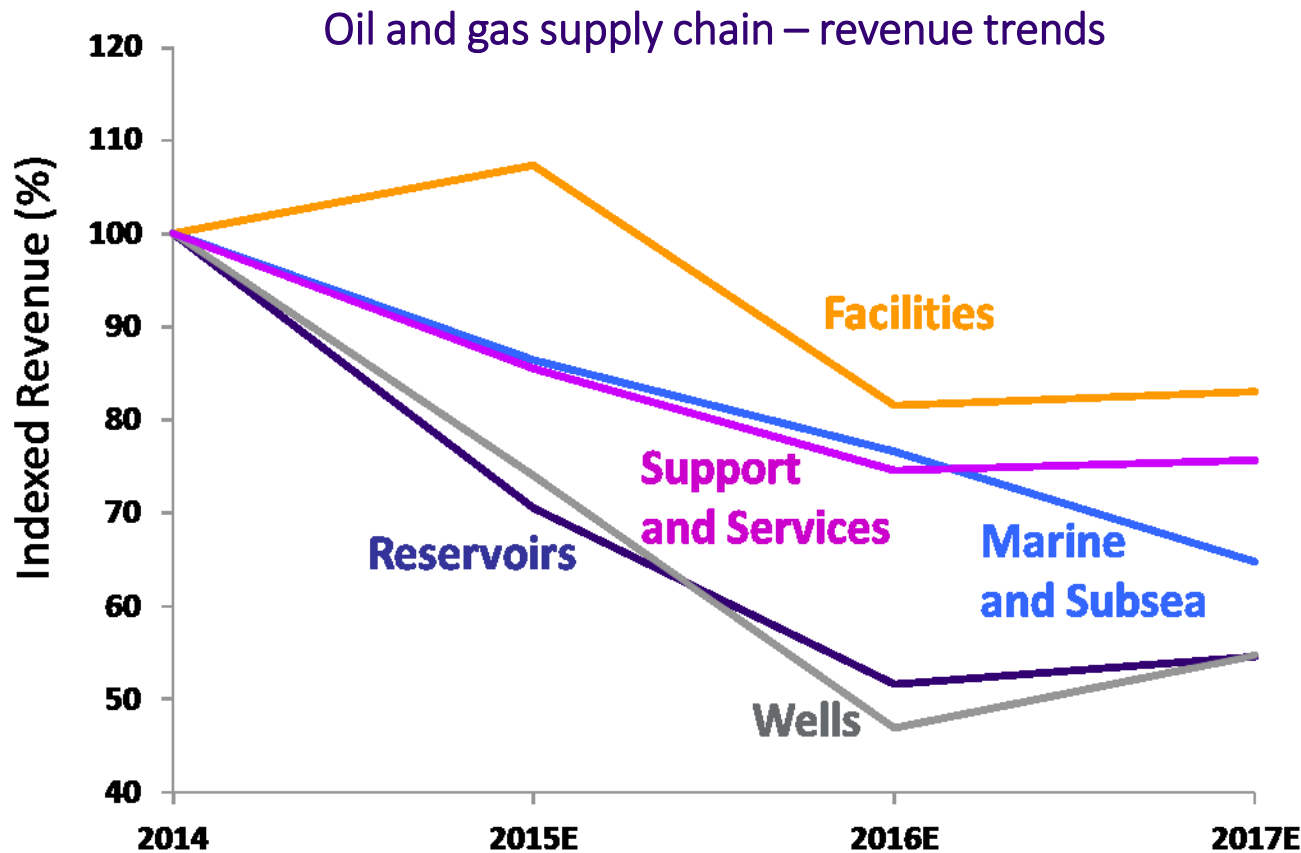
Source: Oil & Gas UK

Projected energy demand in the UK to 2035



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



UKCS income of
£400 bn

12 bn boe
recovered



Exports of
£500 bn

- 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

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