

News story: Scotland to pioneer future of global oil and gas industry

Andrew Jones, Exchequer Secretary to the Treasury, will speak at the oil and gas industry's largest conference – Offshore Europe – which begins in Aberdeen today (5 September).

Cleaning up and dismantling old oil rigs and pipelines – known as 'decommissioning' – must be carried out by all operators once they have finished extracting oil and gas in the UK. The North Sea is one of the first regions in the world to start decommissioning on such a large scale.

As oil fields mature across the world, the minister has said there is opportunity for the UK to become pioneers in this area. He believes the sector should develop this expertise and sell it to the world.

The Exchequer Secretary to the Treasury, Andrew Jones MP, said:

The UK oil and gas industry supports 300,000 jobs, and with up to 20 billion barrels of oil yet to recover, has many productive years ahead. As the need for decommissioning grows, we must seize the opportunity to cement the UK as a world-leader in this field and export this knowledge globally.

Efficient decommissioning means big changes to the oil and gas industry – requiring new technology, skills and innovative approaches. This will ensure that decommissioning is safe and cost-effective while also protecting the environment.

Chief Executive of The Oil and Gas Authority, Andy Samuel, said:

Decommissioning presents great opportunities for innovation and the development of UK skills and capability. We are working closely with operators and service providers and are already seeing some great performance in cost efficient decommissioning, new collaborations and technology trials. This bodes well for the shared target of 35% cost reductions and the considerable domestic and export value that can be realised.

The UK's head start on cleaning up the North Sea means that 10% of old oil and gas facilities have already been removed – and in the next ten years alone, more than 100 platforms will need to be scrapped and over 1,800 oil wells plugged.

The Oil and Gas Authority (OGA) forecasts that UK oil and gas operators will spend almost £60 billion on decommissioning between now and the 2050s.

To ensure this industry thrives, conditions must be right. The government provides tax relief on decommissioning which covers around 40% of the total cost for UK companies – forecasted to be worth around £24 billion between now and the 2050s. The OGA have also pledged to reduce the overall cost by 35%. Taken together, these measures will help companies make the best of decommissioning, creating new opportunities, advancing technology and generating more jobs.

The UK has already started to see large decommissioning projects that demonstrate new ways of doing things and push technological boundaries, including Brent (Shell), Murchison (CNR) and the Southern North Sea (ConocoPhillips).