

SECURING THE LONG-TERM FUTURE FOR NORTH SEA ENERGY PRODUCTION

CONTENTS

4	Foreword
5	Executive Summary
6	Introduction
8	Why we need action
9	Operations in the North Sea
12	Transition and the workforce
13	Governance
16	Looking forward

As one of its largest energy sources, the North Sea is an asset to the UK – providing thousands of jobs, generating revenue, and ensuring the UK has protection against energy shocks.

FOREWORD

British businesses are at the heart of a successful energy transition in the UK. They are the driving force behind change, from those responsible for generation and refining, to the construction companies for new infrastructure and the development of technologies to harness new forms of energy. However, to play their part effectively, the support of the new Government will be critical to providing the security for innovation and investment.

As one of its largest energy sources, the North Sea provides thousands of jobs, generates taxpayer revenue, and ensures that the UK has protection against energy shocks. Oil and gas have played an important role in our economic growth since the 1960s; however the time has come to move to a greener, more sustainable future. In the UK we are fortunate to have a great natural resource at our disposal – wind – but we are also seeing great strides in areas such as carbon capture and low carbon hydrogen. Even as we set our sights on a future which moves away from oil and gas, the North Sea can be instrumental in ensuring that we meet our targets, protecting our people and our planet.

The challenge centres around ensuring a smooth transition, avoiding the risks to livelihoods and the UK’s public purse, whilst ensuring that we can accelerate towards a decarbonised world. Much of the UK’s infrastructure relies on oil and gas so we need to ensure that decisions on the transition are taken with appropriate consideration of the impacts it has across the country.

The approach to transitioning the energy sector is a careful balancing act. The new Government has recognised the need for action, and we want to work with them and all those impacted by decisions on the North Sea to ensure that the pathway to a full transition is measured and delivers for all. Without a long-term plan, decision-making will continue to be piecemeal, making it harder to provide stability for all of those impacted. Whilst a dialogue must continue between Government, business, NGOs and the public on current and emerging issues, our work looks to ensure that a long-term strategic vision will help to protect and guide our future operations.

The UK is on the right track, but to provide confidence to the public, business, and environmental leaders, we need to involve each of them in the decision-making process and ensure that no one is left behind.

Shevaun Haviland
Director General, British Chambers of Commerce

EXECUTIVE SUMMARY

The North Sea’s future as an asset for the UK will be undeniably different to its past and present. It has been a critical resource for decades, providing oil and gas for domestic use and export, while supporting the development of new industry and technology. Now its viable reserves are dwindling, just as the threat to our planet from climate change looms ever larger and the call to move at speed to renewables grows. So, the choice on what to do with the North Sea might seem straightforward. But we stand at a crossroads where the decisions we make will have huge repercussions for the industry, its 200,000 strong workforce and the UK’s energy security.

There is no doubt that the North Sea will continue to have a vital role in the UK’s energy supply for many years. There is a need to transition away from oil and gas production and bring more renewable energy on tap. Yet the debate around the future has become increasingly divisive, with the issue frequently presented as a binary question around whether to continue or cease oil or gas licensing.

New legislation is already being proposed, taxes on production are rising and investment allowances are under threat. The energy transition must be able to harness the economic benefits that this industry brings. Delivering it at the right pace can ensure a successful switch of many jobs into the low carbon sector, preventing significant job losses and ensuring that the UK remains on track to meet its net zero targets.

However, to achieve this the UK needs a long-term, holistic plan which can consolidate both operations and governance. Key questions need to be answered on licensing, decommissioning, the fiscal regime, and investment in green infrastructure, as well as effective legislation and regulation.

In a fast-moving policy area, the need for an independent taskforce to guarantee a successful energy transition has emerged. This independent group would need to engage with industry, environmentalists, economists, unions, academia and others to ensure that the UK develops a sustainable pathway to net zero, while protecting jobs and our energy security.

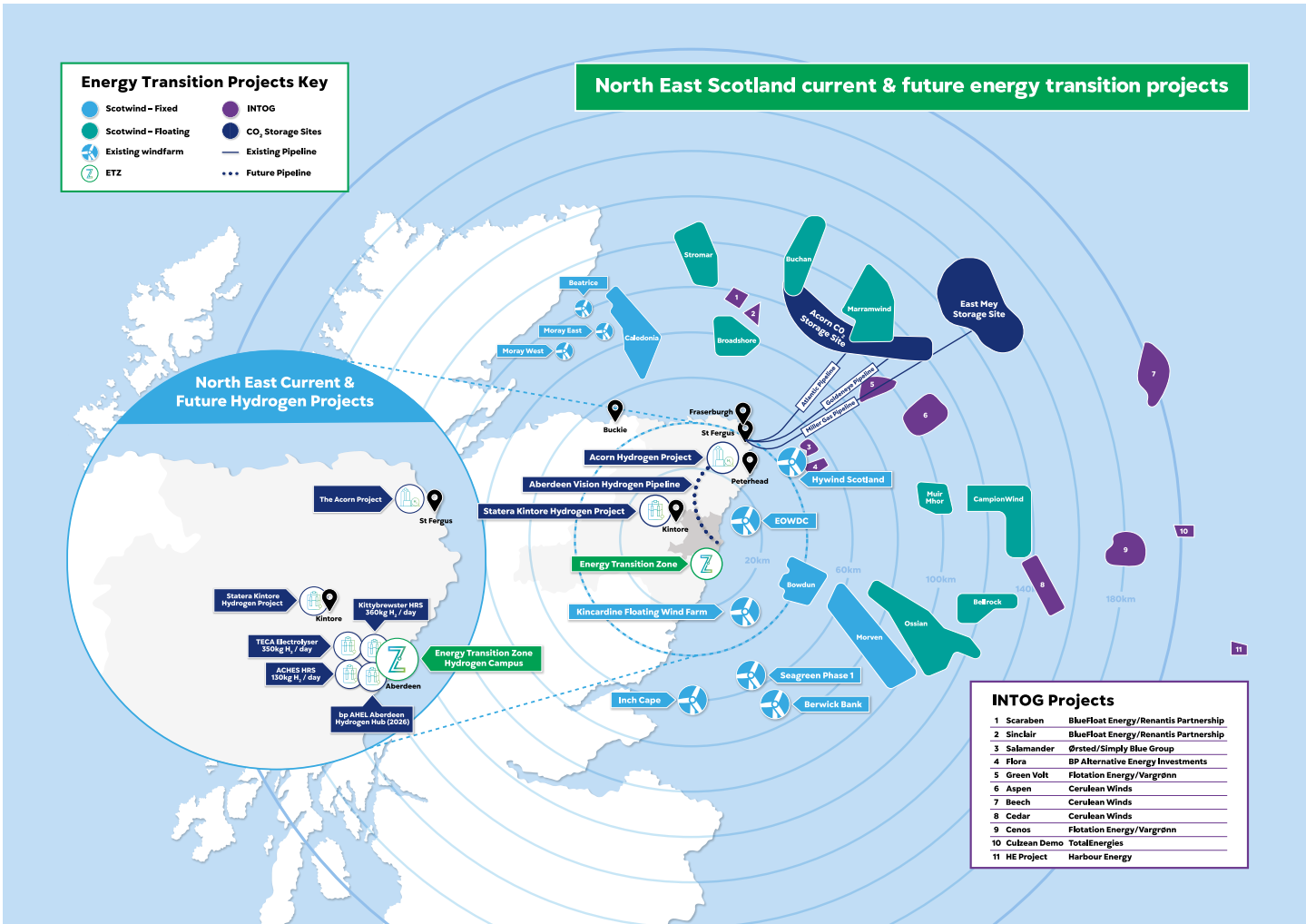
This paper evaluates the complexities of the transition, paving the way to more strategic decision-making which looks not just at the immediate decisions for management of the North Sea, but the legacy of existing and new forms of energy production.

If we get this right then the transition to a greener future will be that much easier, and the UK can assert itself as a world leader in renewable energy production.

September 2024

INTRODUCTION

Figure 1. Source: ETZ Ltd



The North Sea has long been a critical asset to the UK, but it is far more than just a seabed to be mined. It has provided waters for fishing, connects us to Europe through shipping routes, and has been a key energy provider for the UK and the world.

The basin has been used to extract oil and gas for over 50 years, playing a role in the transition from coal, which began in the 1960s. Whilst providing a cleaner form of energy than its predecessor, the world is moving away from fossil fuels and toward a greener future powered by renewable energy sources. Naturally, UK exploration in the North Sea basin is coming under scrutiny; however, the uncertainty that arises from a lack of decisive action is creating new pressure points across the UK – whether that be to investors, supply chains, or the people of the UK who benefit from activity through jobs and tax contributions. As long as we continue to hesitate, we risk missing our net zero commitments.

Our mature basin is in decline, as it has been since its peak in the 2000s, and those involved are acutely aware of this. There is no expectation of perpetual extraction in the North Sea, but the reality we are facing is complex, and there are no simple solutions to provide the jobs, power, and finances required to manage our transition to cleaner energy.

In recent months, the debate has been defined by a binary question – to continue licensing for exploration or not. This is an important facet of any plan to manage the North Sea, but an absolutist approach risks missing the consequential effects of a decision. From a UK environmental perspective, there is sound reasoning to look at the issue in such a way; more licences could mean more extraction and more emissions from the process, or at least a perception of this. Whilst ceasing new licences will see a clearer trend in the opposite direction, the reality for people and businesses across the UK is not quite so black and white. From the decommissioning process to the potential for lost revenue to the UK, the speed of green infrastructure development and job availability

to the growing concern for energy security and the environment, the UK needs a plan which can effectively balance the competing priorities and deliver a clear and flexible policy and regulatory framework to deliver for all.

The usage of the North Sea, both its current activity and plans for the future, should form a key pillar to the UK’s overarching industrial strategy – providing the revenue to invest in change, setting an example to other sectors across the world in transition planning and implementation, and critically securing the livelihoods of citizens across the country, directly and indirectly. Labour committed to a phased transition from North Sea oil and gas, however the additional commitments to ban new exploration licences and to extend the Energy Profits Levy to fund Great British Energy have put this step-by-step progression at risk.

Engagement with representatives of industry, NGOs, economists, and policy makers, alongside qualitative research with the public, has provided a clear signal of the need for action. The intention of this paper is to help demystify the issues that have emerged from this initial engagement and to highlight why we need an independently chaired group. It would need to broker the environmental, economic, political and practical challenges which are leaving this critically important asset in a form of stasis serving only to hinder progress.

To determine the pathway to a successful transition, we will break down the overarching issues to be considered:

- 1. Why action is needed:** Assessing the scale of the problem
- 2. Operations in the North Sea:** Exploring the existing operations which need to be managed
- 3. Transition and the workforce:** Evaluating the impact on people across the UK
- 4. Governance:** Exploring the governance arrangements to manage the transition.

A national asset deserves a national conversation.

WHY ACTION IS NEEDED

There is a point on which all can agree – the transition to net zero must protect the tens of thousands of livelihoods impacted by the North Sea. To achieve this we need to align on the pace at which the UK transitions; this will determine whether jobs, skills and energy infrastructure are maintained or lost.

The UK has committed to action on emissions through its own targets, which flow from the growing international discourse underpinned by the Paris Agreement. The North Sea Transition Deal (NSTD) introduced targets to reduce greenhouse gas emissions from oil and gas activities by 10% in 2025 up to 50% by 2030, against a 2018 baseline, with the goal of reducing carbon emissions to zero by 2050.¹ We should not be looking to negate these obligations.

Some view the North Sea as an obstacle to achieving our climate targets. In reality, it forms a single strand of a complex web of policy and infrastructure which has evolved over the last century, and houses the potential for new forms of cleaner energy. The North Sea has provided energy to the UK and the world for over five decades, delivering valuable resources which created the platform for significant progress in technology and industry over that period. As we look to the future, we can already see progress being made in offshore wind and carbon capture, but planning and regulatory barriers, high costs and currently low returns on investment are causing delays – and critical infrastructure across the UK needs to be prepared to receive the green forms of energy being produced.

In the UK, there are 32 million vehicles and 24 million homes currently reliant on fossil fuels.² The UK remains dependent on fossil fuels for 78% of its energy³ needs and the CCC’s forecast⁴ estimates that they will continue to play a significant role in the energy mix of the UK even when we reach net zero. Great leaps are being made to move towards sustainable infrastructure and transport, but these changes

take time to introduce. With the demand for oil and gas still evident in the UK and anticipated even beyond the net zero targets being met, there needs to be coordination across the UK to ensure that action doesn’t cause unintended problems for the public and businesses.

The recurring theme in our stakeholder interviews indicates an absence of trust in the institutions responsible for ensuring we meet our 2030 and 2050 targets. To repair this, there needs to be a plan. The programme of government directly affects business planning, which in turn can have devastating effects regionally and nationally. In a tense economic period, the failure to have a clear plan to encourage business investment has real-world knock-on effects. Unrest in Ukraine has increasingly seen supply and energy security in the public eye, with growing concerns about energy bills and the cost of living. Stakeholders want to see a plan implemented, even if it takes longer to reap the rewards.

“It feels like we need something that goes above and beyond party politics...because politicians are so populist...throwing things at a wall and seeing what sticks.”

– focus group participant

“Where [a senior politician] says we’ll deliver lower bills and energy security... how? It doesn’t seem realistic. They can’t even dig up a road and repair it in a week. So how are we going to do all these wind farms and make us self-sufficient quickly before we no longer need oil.”

– focus group participant

Extraction activities are most closely associated with Scotland, but the reality is it is an issue for the whole of the UK – extraction takes place in English waters, but the impacts of activity in Scotland are also far reaching. The employment footprint of our oil and gas sector stretches well beyond Aberdeen, as businesses in the broader supply chain can be found from the South East to Yorkshire and the Humber.⁵ But that is not all - across the country, local government pension funds have invested £4bn in companies operating in the North Sea basin.⁶

Without action we are facing two possible outcomes. The first is to keep kicking the can down the road, avoiding taking the decisions on a long-term plan to manage our North Sea transition and creating further uncertainty. In doing so, removing Government and the public from decision-making could leave investors and other actors as the guide to future operations, presenting risk to our environmental obligations. The Supreme Court decision in Finch⁷ exemplifies how decision-making can shift away from policy makers. In this case a lack of clarity into what environmental impact assessments needed to cover resulted in the need for a judicial decision. This comes at public expense, whilst a clearer plan could have avoided the need for these additional steps.

The alternative, to place a ban on oil and gas exploration, presents a different type of risk. Whilst seemingly a desirable position to aim for environmentally, reducing its export to the global market and reducing extraction emissions, an immediate halting would see strain placed on the UK’s energy security through greater reliance on imports to meet our present energy needs. The action would shift the problem rather than remove it, by creating greater emissions through transportation to the UK, removing the UK’s ability to regulate how the materials are extracted, putting thousands of jobs at risk, and losing the revenue for investment in new green technologies.

The evidence presented to us undoubtedly highlights the need for action, but the only way this can be achieved is with a measured plan which protects people, businesses, and our environment.

OPERATIONS IN THE NORTH SEA

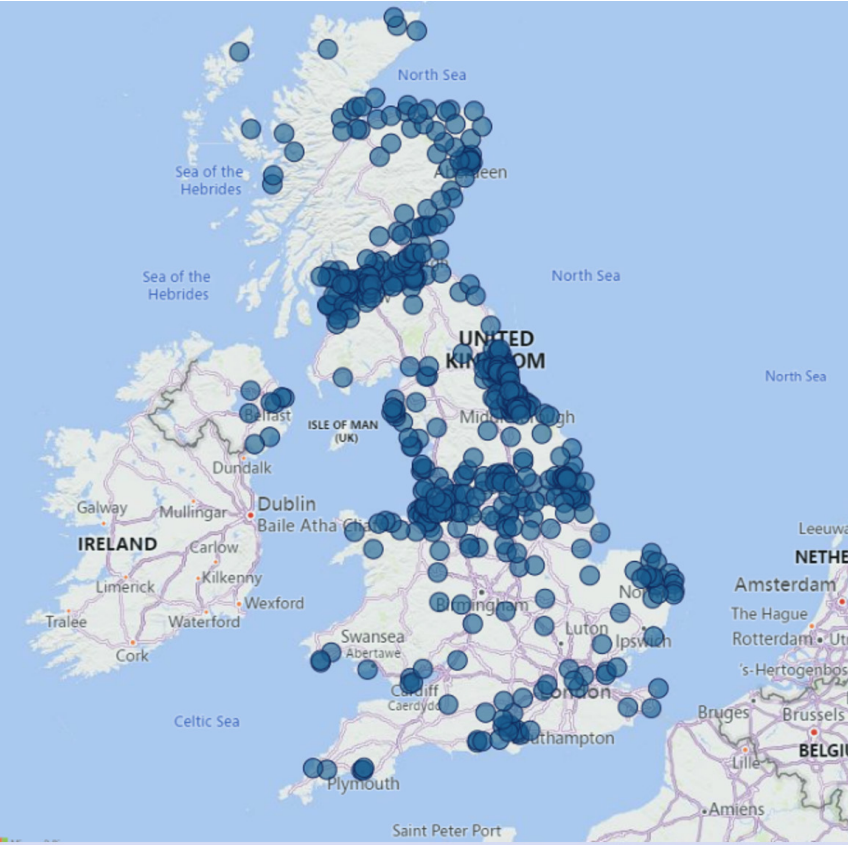
Licensing for exploration is an important factor underpinning the future of oil and gas projects in the North Sea – providing the necessary permissions for extraction to begin. However, it has held a disproportionate place in the debate between industry and environmentalists, further heightened by the media and political attention, despite being only a single part of the jigsaw of operations.

Establishing a plan which can deliver for people and the environment requires a holistic account of the policy underpinning North Sea operations.

There are four key areas which will be explored in more detail here:

- 1. Licensing
- 2. Decommissioning
- 3. Fiscal Regime
- 4. Green Infrastructure

Figure 2. Major energy services supply chain business based in Aberdeen – distribution of UK workforce (2,000 employees)



1. Licensing

The Offshore Petroleum Licensing Bill, introduced by the previous Conservative Government in the last Parliament, sought to mandate the annual licensing of new oil and gas projects, to improve the UK’s energy independence and mitigate concerns about meeting net zero targets by introducing a net zero test.

However, the inclusion of the carbon intensity test resulted in more confusion rather than clarification. The tests placed more strain on the process, and reduced production of oil and gas domestically could see increased marginal imports of liquified natural gas (LNG), resulting in the UK relying more heavily on international partners to meet demand. A holistic approach should be taken to demonstrate that emissions intensity is managed at an internationally competitive level both in the short-term and increasingly by 2050. Reduced domestic production does not necessarily support the delivery of global goals for decarbonisation and net zero – the demand will still exist and sites elsewhere may not have objectives attached to licensing which align with the global pathway to net zero.

Brokering the environmental, economic and energy security challenges requires compromise from all parties. A managed plan for the North Sea will need to balance industry needs with environmental concerns by requiring applicants for new licences to clearly and quantitatively show a full emissions offset of their expected activities.

The climate compatibility checkpoints set out in the Offshore Petroleum Licensing Bill⁸ aimed to do so by ensuring that carbon emissions associated with UK gas are lower than the equivalent emissions of imported liquified natural gas. However, the current climate compatibility tests are done to issue exploration licences, and similar processes should be applied to later development stages, such as consenting of production.⁹

More broadly, the conversation around licensing needs to take into account the reality of the basin’s decline while enabling investors to continue activity which contributes to decarbonisation and the public purse. Assets created following new licensing rounds are at risk of becoming stranded. Declining production for oil and gas in the coming years means many of the 100+ licences may not be awarded.

On the other hand, the new Government’s commitment to a ban on new oil and gas licences¹⁰ presents its own challenges. It creates additional risk for existing operations who may fear greater ‘sanctions’ including the revocation of existing licences despite the current reliance on oil and gas in the UK and for export. Resultingly, the pace at which platforms cease operations could increase at a rate which leaves our production falling below demand of our existing infrastructure.

2. Decommissioning

Virtually all of the infrastructure put in place in the North Sea will require decommissioning over the next 30 years in a safe and responsible manner.¹¹ The total cost of decommissioning oil and gas infrastructure in the North Sea has been estimated at £46 billion.¹²

Given the expected fall in demand for oil and gas in the coming years, and uncertainty over how much of the North Sea’s infrastructure can be repurposed for green technology, the NSTA’s Decommissioning Strategy¹³ is a welcome step. The current regulatory regime means that there is a serious chance the Government could be exposed to decommissioning costs if sites and wells become uneconomical sooner than expected, though this is afforded through the existing, ringfenced tax regime for oil and gas fields. However, it is in everyone’s interest that decommissioning is made cost effective and an action of last resort. To this end, the NSTA’s new screening tool to help repurpose infrastructure and release of decommissioning information represent positive steps to support the delivery of cost-efficient decommissioning.

A holistic view towards the future of the North Sea means decommissioning, rather than being the first action taken, is a last resort after all other options, such as the chance at a second life for materials, are exhausted. Decommissioning should be viewed in tandem with the transition to green infrastructure, wherein low carbon revenue sources can help cover decommissioning costs, and circularity of materials help unlock value, secure jobs and enable growth.

A potential avenue may be the establishment of a decommissioning fund, where the Government is a backer of last resort should costs overrun. To incentivise participation in this fund, investors and energy firms can be promised shares in future revenue schemes from associated low-carbon projects. If this incentive is insufficient, then the Government can mandate that operators pay into this fund every year to cover decommissioning costs with regular reviews as cost estimates are updated.

Repurposing of infrastructure can be facilitated by amending the Petroleum Act to remove residual liability in perpetuity and incorporating circularity into the guidance notes for decommissioning.

3. Fiscal Regime

At the heart of the polarised debate over the North Sea’s future is the oil and gas fiscal regime. The current regime entails three separate permanent taxes – Ring Fence Corporation Tax, Supplementary Charge, and Petroleum Revenue Tax – as well as the Energy Profits Levy (EPL), each with their own tax bases, rates and allowance rules.¹⁴ The EPL, introduced in 2022, has risen from its initial level of 25% to 35% and the decarbonisation investment allowance, currently at 29%, provides tax relief on expenditure on decarbonising upstream oil and gas production, under the EPL. However, the new Government have also committed to removing investment allowances from the EPL, which risks reducing investment, and by extension, underdelivering production and revenues from the North Sea. After the end of the EPL, the decarbonisation investment allowance will end, and the permanent regime will continue to offer tax relief of £46.25 per £100 of expenditure. The Government’s most recent announcement has seen both an extension and expansion of the EPL proposed following their first budget – increasing the rate to 38% and running until 31 March 2030. With three adjustments to the scheme in little over two years, a growing rate, and no indication as to support or next steps, this provides a further example of the need for strategic long-term clarity to provide certainty to investors across all energy sectors operating, or looking to operate, in the North Sea.

The fiscal regime governing the UK Continental Shelf (UKCS) should prioritise long-term economic and energy security. A holistic approach would consolidate the need to provide certainty and predictability for investment, a fair return to support public finances, and a pathway towards the energy transition of the basin.

The previous Government’s response to the review of the oil and gas fiscal regime affirmed the need to maintain the existing set of investment incentives.¹⁵ However, further steps can be taken to maximise economic recovery of oil and gas resources in the medium term and promote the diversification of offshore activities in the long term. One alternative would be to follow the advice from Chris Skidmore’s Net Zero review¹⁶ to use revenues from the EPL to create a ‘hypothecated fund’ dedicated to investing in low carbon solutions, including and especially in the North Sea given the huge emissions reductions possible in that region. Pre-election, Labour committed some of the revenue towards the introduction of the Great British Energy (GBE) but developing a mechanism that provides clarity on how this is spent can provide confidence to businesses and the taxpayers, whilst also presenting a clearer fiscal pathway to an accelerated transition.

4. Green Infrastructure

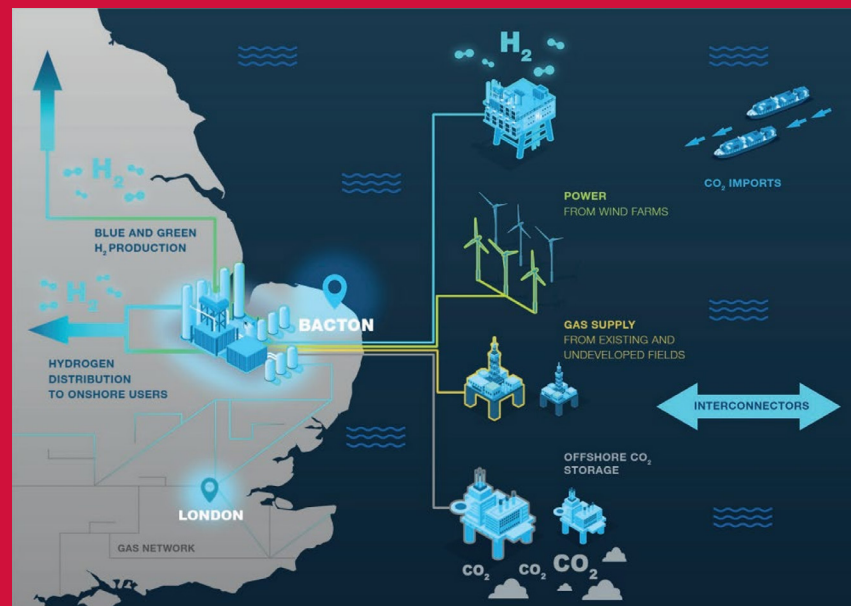
The infrastructure the oil and gas sector has developed is an asset to the country and should be valued as such. We must ensure that we maximise the potential the UKCS offers, in terms of the deployment of green infrastructure such as carbon capture, usage, and storage (CCUS) and hydrogen. This potential is duly recognised in the NSTD, which estimates that the UK has the potential to become a global technology leader in CCUS, and that it can generate £3.6bn in export opportunities by 2030. Furthermore, electrification of platforms and action on flaring has a significant role in reducing the carbon footprint of oil and gas activities in the medium-term and will support growth in offshore wind and green hydrogen development through the creation of energy hubs. It is in this area which a redesigned fiscal regime could see Government and industry work together to ensure decarbonisation of existing operations and create the pathway to the new era of energy generation in the North Sea.

WHAT IS AN ENERGY HUB?

An energy hub is a comprehensive system that integrates multiple generators to convert, store, and supply various energy carriers.¹⁷ By combining different technologies, energy hubs enhance efficiency through economies of scale and the shared use of site resources.

Figure 3 illustrates how the Bacton gas processing hub could become a significant energy hub, supporting the decarbonisation of London and the South East beyond 2030. Bacton possesses several critical characteristics that would enable the site to leverage its existing infrastructure and workforce to secure the UK's energy supply and play a major role in reducing greenhouse gas emissions. Firstly, it has existing connections to London, the South East, and beyond, allowing the site to supply hydrogen to future demand centers. Secondly, it provides an excellent basis for hydrogen production. Both for CCUS-enabled hydrogen – as existing gas processing plants can be repurposed – and for electrolytic hydrogen, through access to offshore wind farm output.¹⁸ Moreover, the development of this project would support hundreds of jobs in East Anglia, boosting the local economy.¹⁹

Figure 3. Bacton Energy Hub Overview



TRANSITION AND THE WORKFORCE

The success of a North Sea transition reaches more than just those living and working in the North East of Scotland. There are real impacts for people across the UK and beyond. Figure 2 shows the distribution of jobs across the UK as identified by the AGCC through their work on the most recent Energy Transition survey.²⁰

Recent estimates put the number of direct jobs reliant on the oil and gas industry at 120,000 in 2023 and taking into account wider indirect roles – from advisors to couriers – the number of jobs supported by the oil and gas industry rises beyond 200,000.²¹ If the decline of the oil and gas industry outpaces the growth of offshore green energy, the risk of job loss is greater, and we are all worse off for it. Discussion of the oil and gas workforce and green workforce as two distinct groups does not recognise the transferability of skills between the sectors – from rig workers to construction workers to office staff. Offshore renewables, as well as the future CCUS and hydrogen industries, will rely heavily on many of the current skillsets in the oil and gas industry – geologists, project managers, and a wide variety of engineers and craftspeople. The NSTD has highlighted that around two-thirds of the UK's oil and gas workers have skills that could transition to the low carbon sector alone. A successful transition could see up to 100,000



people transfer across or enter the offshore energy industry in the 2020s, with the offshore energy workforce increasing by 50% to reach 225,000 by 2030. However, a slow transition to green energy, coupled with a rapid decline of oil and gas, could see the future offshore energy sector shrink from 154,000 to 130,000.²²

The variation of certification schemes between green and oil and gas industries means that contractors are spending their own money to duplicate training. Localised efforts to streamline the transition for workers from oil and gas to green industries are welcome but require further financing and are held back by the lack of a strategic approach considering the targeting of resources. Platform have found that coordinated retraining support with targeted funding would benefit between 22,500 and 31,500 oil and gas workers,²³ whilst Unite the Union have found that with an investment of £1.1bn per annum over six years, we could see the meaningful redeployment of 35,000 workers through the transition.²⁴

The Government can learn from the successes of the Green Jobs Taskforce, which developed a long-term plan charting the skills needed to deliver a net zero economy, and could establish an equivalent body solely focused on the North Sea. A Green Jobs Taskforce for the North Sea, alongside greater coordination between government departments and stakeholders, can provide the longevity needed to plan both the reskilling of existing workers and put forward a manpower plan to secure the workforce of future generations, moving us towards the just transition which has been called for from all corners.

GOVERNANCE

Having the right policy in place is the first part of the challenge. But effective policy relies on effective management and regulation. In practice this means ensuring that policy statements and legislation are clear and leave little open to interpretation, and ensuring that the regulatory bodies have the experience and support to deliver for businesses, people and the environment.

Legislation and Regulation

The new Government has recently launched **Great British Energy** as a new publicly owned company to deliver power to the British people. Great British Energy will invest in, own and operate clean energy assets, engaging with the private sector to build supply chains in the UK, overseen by an independent board, and including industry experts and trade union voices. Action on the North Sea could be pitched as a key area to show how the arm's-length body can be used to balance our existing investment need with that of the future – supporting trade bodies, government, and regulators to present a secure present and positive future as we move to rapidly increase offshore wind and carbon capture. As oil and gas receipts from the EPL have been declared as the funding stream, this can be a positive indication as to how the levy can be used cyclically to benefit all parts of the transition.

The second matter is **legislation**. The guiding legislative framework for activity is complex, with different strands spanning operations, environmental obligations, and people management, all contained within different acts of parliament. Parliamentary time will be tight in the new Government's first years of office. However, Labour's manifesto commitment to an **Energy Independence Bill** could provide a good vehicle to deliver not only for oil and gas, but the wider energy transition potential of the North Sea. This may have been superseded by the Great British Energy Bill, however both, and the undoubtable future energy bills, will provide opportunities for legislative action.

Full codification of the legislative framework is not required, nor is it likely, but the planned legislation can provide a clear intention toward managing the North Sea for decades to come. Presently, there are tens of pieces of legislation that companies looking to generate energy in the North Sea need to abide by, governing everything from environmental protections to the planning permissions and processes for beginning operations. The key pieces of legislation governing operations are:

1. Petroleum Act 1998 – Provisions for regulation of the North Sea including, ownership of resources by the Crown and need for licensing to undertake operations, maximising economic recovery through UK offshore oil and gas, and strategic powers of the regulator.

2. Energy Act 2011 – Provisions for dispute resolution with third parties by the regulator.

3. Energy Act 2016 – Formal establishment of the North Sea Transition Authority (NSTA) as a government company and provision for further dispute resolution, access to data, participation in meetings with operators, and the ability to place sanctions for non-compliance.

These acts set in place the legislative backing for the **regulatory framework**. The NSTA are considered the primary regulator of UK oil and gas extraction, but Figure 4 is illustrative of the number of organisations involved in everything from transition to administration to environmental protections. Using the organisations with the most appropriate skill sets and experience is the right approach to ensuring effective regulation, but clearly defined responsibilities need to be placed between them to provide certainty on how decisions are going to be made. Labour’s commitment to a Regulatory Innovation Office may go some way to supporting how the regulator can best serve UK needs during the transition.

At this point, we see the need for a clear overarching strategy which aligns the legislative and regulatory frameworks with the introduction of GBE to ensure there are no competing priorities. We believe it is possible to achieve a unified system which sees policymakers, regulators, and the new investment hub work together to drive the best possible outcomes for people, businesses, and the environment.

Figure 4 Accountability for North Sea regulation²⁵

Energy transition including:		Exploration and production including:	
Carbon storage and offshore hydrogen transportation and storage licensing and permitting authority	NSTA	Offshore, onshore, gas storage and gas unloading licensing	North Sea Transition Authority (NSTA)
UK energy policy, including CCS, hydrogen, renewable energy, legislation	DESNZ	Field development plan consents	
Seabed leasing	The Crown Estate (England and Wales), Crown Estate Scotland	Offshore pipeline works authorisation	
Marine leasing	Marine Management Organisation (England), Scottish Government, Natural Resources Wales	Infrastructure	
Offshore transmission, expected economic regulator for CCS	OFGEM	Commercial matters and changes of control	
Oil and gas policy including:		Flaring and venting consents	
Overall oil and gas policy	DESNZ	Metering and allocation	
Legislation	DESNZ – OPRED, NSTA, His Majesty's Treasury (HMT)	Production outages	
Offshore decommissioning	HMT (NSTA providing expertise and evidence)	Offshore decommissioning efficiency, costs, technology	
Fiscal and taxation	DESNZ & NSTA	Supply chain action plans	
Supply chain and business impact	DESNZ – OPRED	Effective net zero assessment	
Environment	DESNZ – OPRED	Emissions benchmarking	
International relations and trade	DESNZ, Department for International Trade, NSTA, Foreign and Commonwealth Office	Offshore decommissioning programme approval, execution and monitoring	DESNZ – OPRED
		Offshore environmental management and inspection	DESNZ – OPRED
		Health and safety management	HSE
		Environmental aspects of onshore regulations	Environment Agency (England)

Key:
DESNZ: Department for Energy Security and Net Zero
OPRED: Offshore Petroleum Regulator for Environment and Decommissioning

Intergovernmental relations

The North Sea is a UK asset, but the political makeup of the UK sees it geographically sit within the jurisdiction of two legislatures – the UK Parliament and the Scottish Parliament. Offshore oil and gas remain almost entirely within the competence of the UK Government. However, the impact of the industry in Scotland is significant, with an independently commissioned report in 2023 finding that it was responsible for £16bn of gross value added²⁶ (equivalent to 9% of the 2019 Scottish GDP). The Scottish Government also holds devolved competence over jobs and skills and some energy transition matters – including net zero targets and development of offshore and onshore renewable energy.

The nature of devolution in the UK leads to a number of areas which require close collaboration between UK and devolved administrations to ensure the best outcomes for the nation as a whole. There are few better examples of this than the UK’s transition to cleaner energy, which requires action at every level to innovate and implement new approaches to production, transmission, and use of energy across the whole country – all whilst protecting people from economic shocks.

Between 1 January and 31 December 2023, the Interministerial Group for Net Zero, Energy and Climate Change met five times. The annual report²⁷ did not include a single reference to the future of North Sea oil and gas despite the reporting and political narrative we have seen building around it over the same period. The terms of reference for the group²⁸ are broad, which, combined with the frequency, place effective intergovernmental decision making across all issues under strain. Consumer bills and the Just Transition were understandably key areas of concern for the group, but there is an increasing need for a mechanism to discuss the details of a complicated plan for the North Sea.

As a key component of the transition plans in Scotland, for people and for cleaner energy, the North Sea needs to be revisited with an intergovernmental arrangement which allows for decisions to be taken and then effective management of the policy over the decades to follow. With the new Government’s commitment to reset relationships and look at devolution differently, we may be presented with the opportunity to achieve this at a key point for the North Sea transition.



LOOKING FORWARD

Our research has highlighted the need to urgently look at the North Sea holistically and methodically. Whilst on the surface the North Sea may seem like a small part of a large problem, the economic significance of getting this right is clear. With ranging projections of jobs on the line across the UK and our energy security at risk whilst the transition picks up momentum, we need a plan which can provide the confidence to investors for our current and future energy mix.

To keep on track with net zero commitments, there needs to be action on the way that we extract materials from the basin as well as the pace that we move away from extraction and more firmly into alternatives such as wind and CCUS. This means creating a holistic plan which can determine the pace at which new infrastructure is being deployed, whilst creating clearer, stronger and more certain regulatory guidelines to guide how we extract in the meantime. Ensuring that a strong and constructive dialogue is created between industry, academia, politicians, and the public is critical to success.

Achieving these objectives will require collaboration rather than competition. No matter the desired outcome of a single interest group without structure behind a new approach, there will not be ‘winners’ in the UK. Sitting at the heart of UK and global networks of businesses and individuals, we are looking to use our connections to make this third way possible. Following the publication of this paper, we will look to work with the governments for the UK and for Scotland to develop more detailed proposals which navigate the economic, energy, environmental, and governance issues which are currently causing meaningful progress to stall. **An independent taskforce would bring together the experience and expertise of all the sectors impacted by North Sea operations.** The taskforce could examine and enhance our initial research, ultimately providing practical recommendations to secure the pathway to an accelerated North Sea transition that maintains jobs, skills and employment.

To ensure continued economic growth and the largest development of new infrastructure in the UK in decades, we must ensure that there is a comprehensive, long-term plan in place.



ENDNOTES

1 [North Sea Transition Deal: One Year On \(publishing.service.gov.uk\)](#)

2 <https://assets.publishing.service.gov.uk/media/6238513ee90e077999320564/north-sea-transition-deal-one-year-on.pdf>

3 [Accelerating the transition from fossil fuels and securing energy supplies - Environmental Audit Committee \(parliament.uk\)](#)

4 [Hundreds of new North Sea oil and gas licences to boost British energy independence and grow the economy - GOV.UK \(www.gov.uk\)](#)

5 [Workforce Insight 2022 \(oeuk.org.uk\) Page 8](#)

6 [UK Council Pension Funds Pouring £4 Bn into Companies Expanding North Sea Oil and Gas Production \(sustainabletimes.co.uk\)](#)

7 [R \(on the application of Finch on behalf of the Weald Action Group\) \(Appellant\) v Surrey County Council and others \(Respondents\) - The Supreme Court](#)

8 <https://www.gov.uk/government/news/new-opportunities-for-north-sea-oil-and-gas>

9 <https://www.theccc.org.uk/publication/letter-climate-compatibility-of-new-oil-and-gas-fields/#:%7E:text=Whereas%20the%20evidence%20against%20any,and%20a%20presumption%20against%20exploration>

10 <https://questions-statements.parliament.uk/written-questions/detail/2024-07-24/1537>

11 [raeng_offshore_decommissioning_report.pdf](#)

12 [UKCS Decommissioning Cost Estimate 2021 \(nstauthority.co.uk\)](#)

13 [Decommissioning Strategy \(nstauthority.co.uk\)](#)

14 [https://www.nstauthority.co.uk/regulatory-information/exploration-and-production/taxation/#:-:text=The%20tax%20regime%20which%20applies,Energy%20Profits%20Levy%20\(35%25\)](https://www.nstauthority.co.uk/regulatory-information/exploration-and-production/taxation/#:-:text=The%20tax%20regime%20which%20applies,Energy%20Profits%20Levy%20(35%25))

15 [_8254_Oil_and_Gas_Fiscal_Review_-_Summary_of_Responses_FINAL.pdf \(publishing.service.gov.uk\)](#)

16 [MISSION ZERO - Independent Review of Net Zero \(publishing.service.gov.uk\)](#)

17 [Editorial: Energy hubs in modern energy systems with renewables and energy storage](#)

18 <https://www.nstauthority.co.uk/media/8629/bacton-energy-hub-business-opportunity-report.pdf>

19 <https://www.nstauthority.co.uk/news-publications/bacton-could-provide-decades-of-clean-energy-for-up-to-20-million-homes-and-businesses/>

20 [ET39-Report.pdf \(agcc.co.uk\)](#)

21 [powering-up-the-workforce.pdf \(rgueti.com\)](#)

22 [powering-up-the-workforce.pdf \(rgueti.com\)](#)

23 <https://platformlondon.org/app/uploads/2023/03/Our-Power-Report-1.pdf>

24 [Oil and Gas | No ban without a plan campaign \(unitetheunion.org\)](#)

25 [Source: NSTA, Overview 2023, NSTA Overview \(nstauthority.co.uk\)](#)

26 <https://www.energy-system-and-just-transition-independent-analysis.co.uk/summary-report.pdf>

27 https://assets.publishing.service.gov.uk/media/6627a1e3838212a903a7e601/Intergovernmental_Relations_Annual_Report.pdf

28 <https://www.gov.uk/government/publications/interministerial-group-for-net-zero-energy-and-climate-change-terms-of-reference/terms-of-reference-for-the-interministerial-group-for-net-zero-energy-and-climate-change>