



UK

Oil and Gas Sector

Key Facts

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Overview

The UK has a highly developed oil and natural gas sector.

The current scale of this industry in the UK reflects the £400 billion* of investment over the last forty years on exploration, development and ongoing operations throughout the UKCS.

The industry now provides high quality employment for 450,000 and delivered around £21 billion in taxes in 2008, both from direct taxation of production and the wider economic activities of the UK supply chain.

The oil and gas industry benefits the balance of payments to the tune of £45 billion.

The UK Continental Shelf (UKCS), contains the bulk of the country's oil reserves. It is located in the North Sea off the eastern coast of the UK.

The UK has produced nearly 38 billion barrels of oil and gas over the last forty years.

In 2007 583 million barrels of oil produced was produced, slightly more than the 575 million barrels consumed.

70 billion cubic metres (bcm), gas production satisfied 75% of the UK's consumption of 91 bcm in 2007.

It is estimated that somewhere between 16 and 25 billion barrels of oil and gas remain to be recovered from the UKCS, with BERR carrying a high case of 39 billion barrels still to be recovered.

*Billion – One thousand million – 1,000,000,000,

Oil & Gas

In 2007:

- The UK produced 2.8 million barrels of oil equivalent¹ (boe) per day:
 - o 583 million barrels of oil and 70 billion cubic metres of gas.
- Total expenditure rose to £12.4 billion, continuing the upward trend since 2004, with:
 - o Operation costs of offshore fields, pipelines and terminals rising to £6.2 billion.
 - o Exploration expenditure reaching £1.3 billion – more than double the figure reached last year.
 - o Capital investment declining by £1.0 billion year- on-year, to £4.9 billion, still representing the largest contribution of any single industrial sector.
- The industry paid £7.8 billion in direct taxes to the UK Exchequer (fiscal year 2007-08) from oil and gas extraction.

Figure 1 and 2

Over the last four decades the industry has (in 2007 money):

- Invested £256 billion in exploration and capital development.
- Spent £137 billion on operating these assets.
- Provided £248 billion in tax revenues to the UK Exchequer.

Figure 4

UK oil and gas make a significant contribution to the UK's security of supply:

- Oil and gas from the UK Continental Shelf (UKCS) provided around 70% of the nation's total energy demand in 2007,
- Enough to meet the whole of the UK's oil demand and around 75% of its gas demand from indigenous production,
- The UK is the 13th largest oil and gas producer overall.
 - o 8th largest gas producer (after Algeria and Saudi Arabia) and
 - o 18th largest oil producer (after Brazil and Angola).

This industry supports a substantial number of highly skilled, highly paid jobs:

- The industry employs 450,000 across the UK:
 - o 34,000 directly employed by oil and gas companies and their major contractors.
 - o 230,000 in the wider supply chain.
 - o 89,000 in jobs induced by the economic activity of employees.
 - o 100,000 in jobs exporting goods and services.
- Employment is spread across the UK with concentrations of employment in Scotland (44%), South East England (21%), North of England (15%), East of England (12%).
- Each £ billion expended on the UKCS provides around 20,000 jobs.
- Core supply chain employment has increased by 10% from 2006-07 in part reflecting the strengthening export market.

There could be 25 billion barrels or more of oil and gas yet to be recovered:

- The UK has produced 37.5 billion boe over the last forty years but has the potential to deliver another 25 billion boe or more over time.
- Further progress will require exploration to be sustained at current rates for decades to come, matched by improvements to the investment climate to encourage the maximum recovery of oil and gas from existing fields.
- Last year around 40% of the exploration wells were successful, discovering 300 – 400 million boe. Most discoveries were small accumulations typically less than 20 million boe in size.

Figure 33 and 34

Decommissioning:

- Current decommissioning costs are projected to reach £16 billion by 2030 and could reach £19 billion by 2040 (in 2007 money), some £3-4 billion higher than last year's estimate.

Figure 56

For the Full Oil and Gas UK 2008 Economic report please visit the link below:
<http://www.ukooa.co.uk/issues/economic/econ08/pdf/report-2008.pdf>

Figures

Figure 1: UK Oil and Gas Production 1970-2007

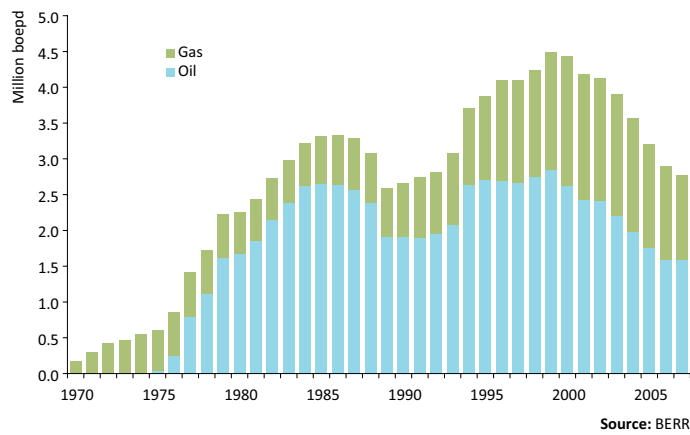


Figure 2: Major Oil and Gas Producing Countries 2007

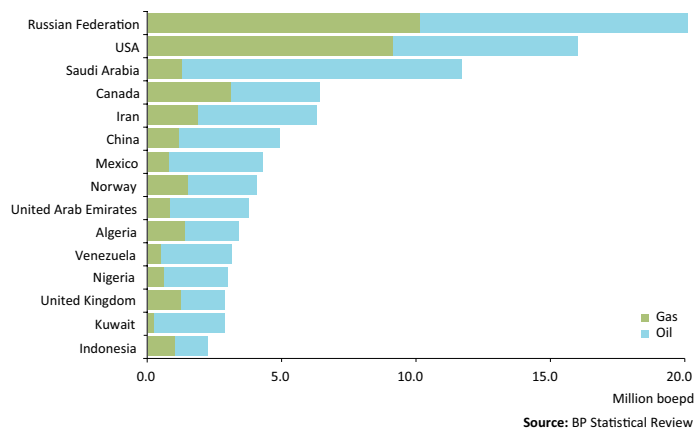


Figure 4: UK North Sea Expenditure 1970-2007

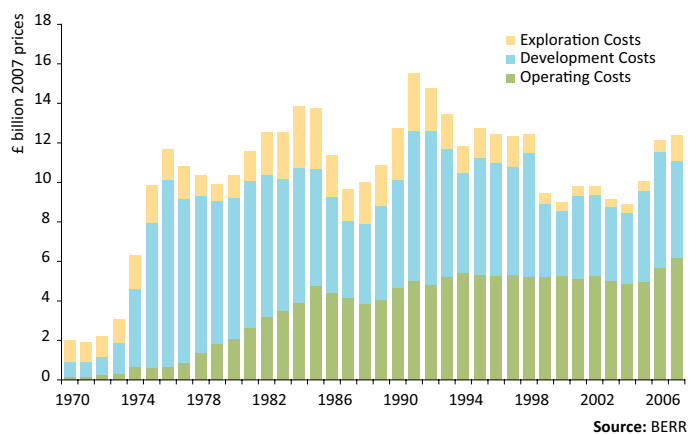


Figure 33: UKCS Oil Production Forecast 2005-2012

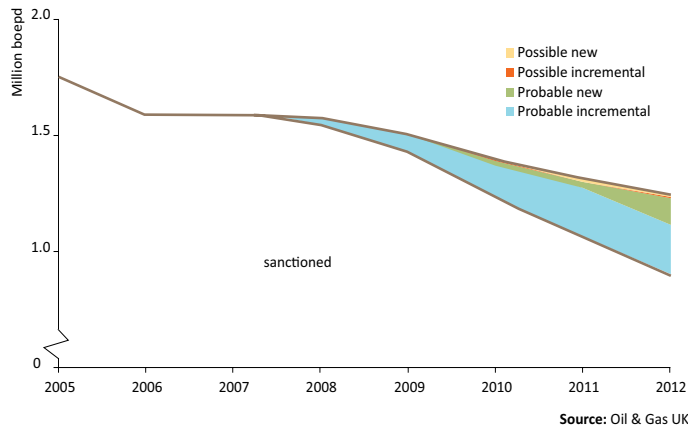


Figure 34: UKCS Gas Production Forecast 2005-2012

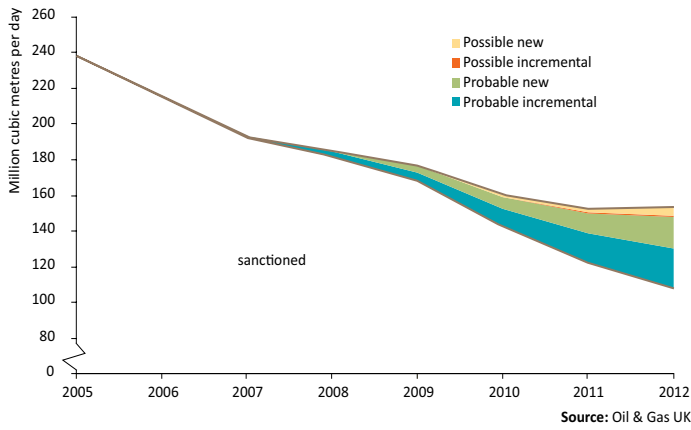
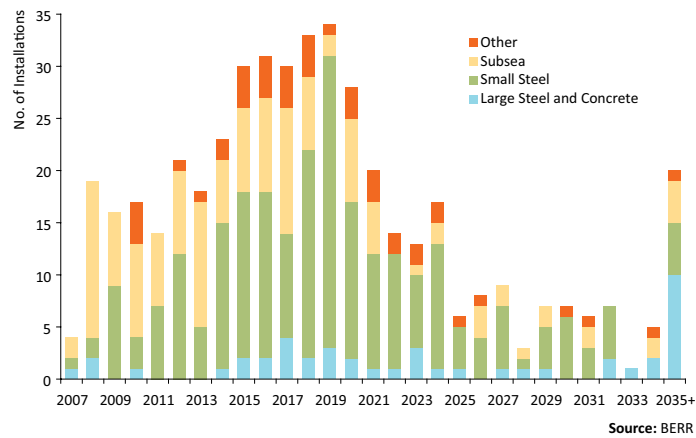


Figure 56: UKCS Decommissioning Profile 2007 – 2035+



Sources

Associated Press
Oil & Gas UK
Office of National Statistics UK
UKTI
Oil and Gas Journal
BERR
BP