

The 'new reality' of the oil and gas sector



The “new reality” that Oil & Gas UK has identified in its new Business Outlook highlights the significant pressures that those operating on the UKCS continue to grapple with, as the industry strives to remain competitive and sustainable.

Certainly, the current environment has challenges. Continued market uncertainty is reinforcing investor caution, indicating a conservative outlook for prices. This has meant that the laser focus on costs, budgets and efficiencies, which has been so crucial to the industry in recent years, must continue to be the norm across the sector.

However, it is important to stress that the latest Business Outlook also draws out some of the many positive outcomes that have resulted from better collaboration, new ways of working and greater focus on technology and innovation that have been adopted over the last 5 years. The industry is working better, smarter and more efficiently, and capable of maintaining global competitiveness.

The improvements in production, production efficiency and new field approvals which feature in this year's Outlook help to demonstrate the industry's ongoing resilience and optimism. Following 14 years of decline, production has increased by 20 percent over the past five years, while momentum around exploration activity has increased, with up to 15 exploration wells expected to be drilled this year, including some potentially high-impact prospects.

Additionally, the on-going levels of M&A activity indicate that the appetite to invest in the basin continues to be positive. That much of this activity in 2018 related to the transfer of assets, helping to ensure that investment opportunities are in the most appropriate hands, and creating a more diverse landscape, is hugely encouraging given the importance of this in achieving MERUK.

However, fresh and forward-thinking approaches to collaboration and business models that take into consideration trust, technology and transformation in the oil and gas industry remain crucial to ensuring the UKCS's competitiveness and longevity as well as supporting that of its critical supply chain mass. While there have been positive changes towards this, there is much more that can still be done.

The industry needs to move forward together to unlock the £200bn that OGUK has reported to be required to achieve Vision 2035 – adding another generation of productive life to the basin. By building on the momentum now established, and with a continuing focus on our “new reality”, this definitely looks to be achievable.