Supply Chain & Exports Strategy

MER UK Supply Chain and Exports Task Force

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Member organisations

Department for Business, Energy & Industrial Strategy

Department for International Trade

EEEGR
EAST OF ENGLAND ENERGY GROUP

ENERGY INDUSTRIES COUNCIL
EIC

NOF

OGUK

Oil & Gas Authority

Scottish Enterprise

The Scottish Government
Riaghaltas na h-Alba

SUBSEA UK™

Contents

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1. Executive Summary & purpose

1.1 The UK offshore energy service sector needs to be at the forefront of the net-zero challenge: enabling the UK's oil and gas firms to achieve MER UK and partnering with the renewable energy industry to meet the decarbonisation challenge.

1.2 The sector is strongly positioned to provide vital services to all areas of the energy sector, including supporting the transition of jobs from long-standing oil and gas roles into the lower-carbon economy.

1.3 The previous strategy (Published 2016) centred around MER UK and exports, these themes remain vital to the success of the sector, along with an increased focus on our contribution to achieving net-zero through an integrated energy supply chain.

1.4 Underpinning the three key priorities above are six consistent themes that emerge when we look at how to deliver success: The industry role-modelling the right **culture & behaviours**; **acceleration** in the pace of change, adoption of new thinking and technologies; embracing of the right **commercial models** between different elements of the supply chain; driving the **digital transformation** needed across the industry; opening opportunities for investment and partnership through greater **transparency and visibility of data**; and working together to support exports by **leveraging UK PLC** including maximising the "soft diplomacy" opportunities that exist.

1.5 What gets measured, gets done. As such this strategy seeks to be shorter that previous versions but with a robust set of data points to understand better current performance, and to track future ambition.

1.6 The role of the task force is to seek to align activities across the industry that are aimed at helping companies succeed and thrive. The task force has no financial, regulatory or statutory powers and its membership reflects the wide range of organisations that have a stake in the success of this sector – representing commercial organisations large and small as well as government agencies tasked with supporting their efforts.

1.7 This document is a summary of the agreed priority areas for the task force over the coming period (2019-2022) and includes named ownership of specific tasks and deliverables, all within that three-year timeframe.

1.8 The task force member organisations, and those organisations that work as part of specific projects with the task force, all have their own sets of tasks and targets, and the intention with this document is to capture those where this represents the delivery of a recognised priority but equally to not over-populate the document with unnecessary information.

1.9 The task force will review progress against these targets on a regular basis, and will share a summary annually.

2. Context and definitions

2.1 The UK service sector is a vital enabler of energy security and a source of economic prosperity, supporting technological innovation and 150,000 high-value jobs.

2.2 The MER UK Supply Chain & Exports Task Force works to support the service sector both domestically and in exporting to the world. The task force comprises major trade associations with public-sector bodies from the UK and Scottish Governments.

2.3 Whilst the original focus of the task force was oil and gas, this was quickly broadened to include renewable energy and the low-carbon economy, recognising the significant overlaps between the two, and the value in a truly integrated energy service sector.

3. The Strategy

3.1 The strategy that the task force intends to follow is to prioritise **three areas of activity** with resources and profile. These three areas will have some common threads and features but all are necessary for us to meet the strategic purpose we have set out:

3.2 With up to 20 billion barrels of oil and gas yet to produce in the North Sea, and with clear demand indications from the Committee for Climate Change that the demand from UK consumers will outstrip this production through to 2050, there is a continued focus on the supply chain's central role in **delivering MER UK**. The focus of the task force here is on ensuring that the right processes are embedded, developed and improved (such as Supply Chain Actions Plans (SCAPs)), that the right behaviours are identified and supported (including commercial models and payment terms) and that the visibility and understanding of the supply and demand in the basin is improved.

3.3 Building a truly **integrated energy supply chain** to focus on developing a clear picture of the opportunities that exist for UK firms, and helping present their skills to the appropriate consumers. This priority seeks to support UK supply chain firms as they invest in the future opportunities and to present their skills and capabilities to prospective customers. The effective matching of subject matter expertise with market opportunity can lead to investment in those market opportunities. This priority seeks to raise the market profile of opportunities in areas such as Carbon Capture and Storage (CCS) and hydrogen, to pilot close sharing of facilities, skills and materials between different types of operators/ customers. Organisations are already in action in this area, the single energy hub in East Anglia and the Opportunity North East (ONE) plans to develop the Energy Transition Zone in Aberdeen.

3.4 The UK service sector has the potential to generate hundreds of billions of additional pounds in export revenue in the coming decades.
The task force sees increasing exports as a central part of the strategy to anchor the service sector in the UK. The priority focus areas will include supporting new initiatives such as areas of duty exemption, building a first comprehensive directory of the UK's energy supply chain capability and on matching potential exporters to experienced colleagues with in-country expertise. Existing activities will continue such as the new Energy Exports Conference and raising the profile of services provided by UK Export Finance.

4. Priority One – MER UK & security of supply

4.1 There is a clear and crucial role for oil and gas in the UK for decades to come, recognised in recent reports considering the transition to net zero by 2050 and consistent with the scale of demand for heating, power and mobility in the UK. In addition, many oil and gas service, support and supply companies are already engaged, trading and active in what would be classed as energy transition and are main drivers for the development and deployment of new technology. Whilst the decarbonisation of the UK's energy system continues, the value of maximising the production and use of domestic, indigenous hydrocarbons is clear.

4.2 The UK service sector is key throughout the value chain, maintaining competitive cost of drilling and exploration successes, delivering production efficiency and ultimately into meeting the UK's goal of a 35% reduction in the decommissioning bill.

KPI: The KPI measurement, consistent with the previous strategy relates to the volume of UKCS work contracted to UK firms, with the first action to set a 2019 baseline and then over three years increase this by 10%. This would also be the aspirational ambition for UK decommissioning projects.

Enabling Actions

Enabling actions centre around promoting and supporting the right working relationships, models and behaviours, sharing of lessons learned in much faster way, improving the visibility of supply and demand.

Enabling Action	Description	Deadline (Owner)
1	Commercial models: Detailed studies and workshops to be held (one per quarter). Comprehensive study into the best commercial models for four different segments of the supply chain. To be a collaborative approach, aimed at identifying good/best practice that encourages less adversarial and more value-adding models	Quarterly (OGUK)
2	Project delivery: Annual review of projects supported by a SCAP, including publications of lessons learned	End of each year(OGA)
3	Demand and supply awareness: Operators & Tier 1 contractors provide visibility on future project	Ongoing (Subsea UK, OGUK, OGA)
4	Digital automation: Partner with Technology Leadership Board (TLB) to identify strong case study opportunities where costs and efficiency can be improved through used of automation	Summer 2020 (Scottish Government Strategic Leadership Group)
5	Payment terms: Engage industry to improve culture in relation to payment terms, including focus on milestone/stage payments. Intention to develop and promote a model of regular engagement between operators & Tier 1s that identifies any barriers to timely payment	Summer 2020 (Working Group 1 – Led by OGUK)
6	SCAPs: Develop SCAP reporting process & consider revisions for SCAPs / operator engagement	Summer 2020 (OGA)
7	TLB engagement: Specific enquiry from the team who attend TLB as to their priorities in technology and digital – test to see where we can impact	Ongoing (TLB/Melfort)

5. Priority Two – An integrated energy supply chain – path to net zero

5.1 The pace of activity regarding the energy transition continues to increase in almost all facets of the debate. Technologies are being rapidly developed, new companies and new commercial models are regularly emerging whilst all the time public sentiment and policy positions are evolving and adapting. At the same time, the industry must recognise the significant demands from interest groups around the world for progress to be made. Not least as an opportunity to continue to attract investment and talent over the long-term, the supply chain must be explicit about the key role to be played in supporting the journey to net zero.

Against this backdrop, it is vital that the sector plays its part through taking on the business opportunity that is the energy transition so both enabling and supporting the country's stated goal to achieve a net zero position by 2050 (2045 in Scotland) and to power economic growth.

The opportunities for the supply chain are significant, both in the UK and in exporting but like all markets there will be fierce competition.

5.2 The supply chain has the skills, capabilities, technology and experience to support the renewables sector as well as the oil and gas industry and in many cases, this is already their operating reality.

KPI: The KPI for this priority is to establish an accurate 2019 baseline for % of upstream supply chain companies supporting renewable activities and then increase this by 20% over the following three years.

Enabling Actions
Enabling actions focus on ensuring visibility of the demand that exists (and can be invested in) and in return promoting the skills and capability that can meet this demand, including in specific technical areas of CCS and hydrogen.

Enabling Action	Description	Deadline (Owner)
8	Demand awareness: Work with other energy sectors to implement the pathfinder concept and communicate demand through pathfinder portal	End 2020 (OGA)
9	Diversification potential: Produce comprehensive mapping and awareness materials of the UK supply chain's CCS & hydrogen capability. Draw on existing studies, link to EIC Supply Map	Summer 2020 (Working Group 2 – Led by Scottish Enterprise & BEIS)
10	Pilot integration: Support the East of England "Energy Council" project to showcase how to bring together hydrocarbon and renewable sectors	Ongoing (EEEGr)
11	Roadshows: Work with bodies including The Carbon Capture & Storage Association (CCSA), Hydrogen Europe, Renewables UK etc to highlight opportunities to the supply chain. Ensure that task force members share planned events/activities to avoid duplication	Ongoing (Subsea UK, EIC, Scottish Enterprise, EEEGr, OGUK)

6. Priority Three – Exports

6.1 One of the keys to anchoring the service sector in the UK for the long-term is the enabling exports from companies based here. Retaining the world class supply chain in the UK is vital to supporting key priorities including MER UK, enabling the decarbonisation of industry and sustaining economic benefits and employment across the UK.

6.2 The world's energy markets offer a significant business opportunity to UK exporters, with a clear opportunity to generate up to £500 billion by 2035.

KPI: The KPI is to establish 2019 baseline for the value of exports from the UK supply chain and increase this by 20% over the following three years.

Enabling Actions
Enabling actions focus on ensuring visibility of the demand that exists (and can be invested in) and in return promoting the skills and capability that can meet this demand, including in specific technical areas of CCS and hydrogen.

Enabling Action	Description	Deadline (Owner)
12	Duty exemption: Develop proposals to provide duty free port and "trusted trader" status for UK based service sector	Summer 2020 (OGUK)
13	Export finance: Support UK Export Finance (UKEF) & others to increase update of direct credit and guarantees within the small and medium-sized enterprise (SME) community	Ongoing (DIT)
14	Opportunity & education: Prepare and host the 2020 Energy Exports Conference	June 2020 (EIC)
15	Demand awareness: Test a global version of Pathfinder, to showcase global energy projects to the UK supply chain	End 2020 (OGA)
16	Overseas engagement: Support FCO/DIT/SDI in engagement with priority markets, sharing UK regulatory, technical and governance experience. Ensure task force members co-ordinate activity to avoid duplication	Ongoing (Working Group 3 – including OGA, Scottish Enterprise, DIT, OGUK)
17	Capability & capacity: Produce integrated energy supply chain map, identify gaps and actions needed thereafter	End Q1 2020 (EIC)
18	Reciprocal Hackathons in target countries	Ongoing (OGA)

Appendix 1. Summary of strategic priorities and enabling actions

**A strong supply chain, anchored in the UK & exporting to the world:
Enabling MER UK & delivering the energy transition**

MER UK & security of supply

Establish 2019 baseline for % of UKCS spend with UK supply chain, then 3 year target to increase by 10%

- Commercial models: Comprehensive study into the best commercial models for four key segments of the supply chain. Aim for less adversarial & more value-adding models
- Project delivery: Annual review of projects supported by a SCAP, including publications of lessons learned
- Demand and supply awareness: Operators & Tier 1 contractors provide visibility on future project activity
- Digital automation: Improve costs & efficiency through used of automation
- Terms: Engage industry to improve culture in relation to payment terms
- SCAPs: Develop reporting process for SCAPs, consider revisions for SCAPs & Operator engagement with the OGA

An Integrated energy supply chain

Aligned to net zero goals, establish 2019 baseline for % of supply chain work in renewable activities, then 3 year target to increase by 20%

- Demand awareness: Work with other energy sectors to implement the pathfinder concept and with links to OGA pathfinder portal
- Diversification potential: Produce comprehensive mapping and awareness materials of the UK supply chain's CCS & hydrogen capability
- Pilot integration: Support the East of England "Energy Council" project to showcase how to bring together hydrocarbon and renewable sectors
- Roadshows: Work with other bodies including CCSA/Hydrogen Europe and Renewables UK to highlight opportunities to the supply chain

Exports

Aligned to DIT goal to grow exports to 35% of GDP, establish 2019 baseline for UK supply chain share of export market– then 3 year target to increase by 20%

- Duty exemption: Develop proposals to provide duty free port and "trusted trader" status for UK based service sector
- Export finance: Support UKEF & others to increase update of direct credit and guarantees within the SME community
- Opportunity & education: Energy Exports Conference
- Demand awareness: Test a global version of Pathfinder, to showcase global energy projects to the UK supply chain
- Overseas engagement: Support FCO/DIT/SDI in engagement with priority markets, sharing UK regulatory, technical and governance experience
- Capability & capacity: Produce integrated energy supply chain map, identify gaps and actions needed thereafter
- Reciprocal hackathons in target countries

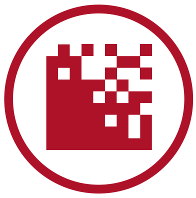
Transparency & visibility of data | **Digital** | **Culture & behaviours** | **Leverage "UK Plc"** | **Acceleration** | **Commercial models**

Appendix 2. Common supporting themes

The diagram above shows five commonly occurring themes that are present in most, if not all, of the priority areas. These five are captured to recognise that as underlying ways of behaving, or "principles", these are all key to the overall delivery of the strategy.

Culture & behaviours
Supporting a culture of collaboration and trust, and promoting the behaviours that deliver that culture, between all those engaged in the activities of the broad supply chain.

Acceleration
A consistent theme underpinning many of the practical pieces of work contained in this document is the need to increase the pace of either innovation, information sharing or adoption of ideas, technologies or ways or working.



Digital
The 4th industrial revolution is upon us, and the energy sector has significant opportunities available through the digital transformation of existing technologies and processes – whether in automation, digitisation or the use of AI. Ensuring the supply chain can identify the right opportunities, understand the needs of customers early and then produce effective, adaptable innovations is a key theme for the task force.

Commercial models
This principle also speaks to the need for real engagement both between tiers of the supply chain and with operators to find the right commercial models to enable and reinforce the culture and behaviours that will ultimately delivery a sustainable MER UK environment.

Transparency and visibility of data
In a large number of areas there is a critical need to ensure that the right data are presented to the appropriate stakeholders in a simple, consistent and reliable manner. This relates to ensuring visibility of demand for the supply chain to both invest against and provide services for, as well as improving the profile of the available capability (the "supply") the exists within the service sector for UK and export customers alike.

Leverage "UK Plc"
Ensuring we maximise the benefits of soft diplomacy whereby UK institutions (regulatory etc) can be positioned to provide informal connections & support into countries which have large scale export potential for UK firms.

Oil & Gas Authority

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