

BRIEFING FOR MINISTER FOR ENERGY, CONNECTIVITY AND THE ISLANDS

What	Meeting with OGUK on North Sea Transition Deal
Where/ When	By Phone Thursday 10 September 10:15 – 11:00
Who	Deirdre Michie , Oil and Gas UK Ross Dornan , Oil and Gas UK
Why	<p>At a meeting with Deirdre Michie, CEO OGUK on 29th September, you agreed to a follow up meeting in September to discuss in more detail the opportunities around the Sector Deal, now known as the North Sea Transition Deal.</p> <p>The deal is being presented as a joint contract between industry and Government, which will enable industry to unlock the economic potential of the energy sector.</p> <p><u>Key points to make:</u></p> <ul style="list-style-type: none"> • Supportive of the North Sea Transition Deal and recognise its role in supporting the sector and accelerating both the energy transition and decarbonisation of the offshore sector • Question how will the North Sea Transition Deal support the sector’s ongoing just and sustainable transition as depicted in the industry’s Roadmap 2035 – the sector’s blueprint for net zero? <p>OGUK also presented an overview of the deal to the Minister for Energy on Tuesday 8th September.</p>
Agenda	<p>OGUK will present an overview of the North Sea Transition Deal and the outcomes that will be delivered by each of the six key themes:</p> <ol style="list-style-type: none"> 1. Cleaner Energy 2. CCS 3. Hydrogen economy 4. Global supply chain 5. Jobs 6. Innovation Places
Supporting officials	[redacted] (Oil and Gas Team) – [redacted] [redacted] (Hydrogen) – [redacted]

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ANNEX A – North Sea Transition Deal

Funding Ask

The overall funding request from Government is still being refined. It is expected that the potential investment ask may be weighted 2:1 industry to government. This will be finalised in the next few weeks.

OGUK have said that the final funding value will not be all new resource, this will be drawn from a range of sources including identified UKG funding sources such as the Industrial Energy Transformation Fund, and include mechanisms such as Contracts for Difference. It is expected that the final value will be significant.

Next Steps/Timescales

- Oil and Gas UK and are continuing to refine the actions below each of the six commitments and will be in a position to share these shortly.
- Engagement with BEIS is ongoing and OGUK hope to submit a formal proposal within the next 5 weeks.
- Thereafter the deal will enter the negotiation phase with BEIS, to challenge the business models and business cases, with a view to agreement of a deal between the end of 2020 and start of 2021.

The North Sea Transition Deal will focus on six core areas to unlock the potential of the industry to contribute to the wider energy transition and net zero.

Commitment 1. Cleaner Energy - Deliver 50% reduction in production emissions from UKCS by 2030, 90% by 2040 and net zero by 2050

- The 2030 target will be achieved by a combination of industry action to reduce emissions and the natural phase out of assets through decommissioning.
- To achieve the 2030 target, a reduction of 4.5 Mt CO₂ needs to be achieved through industry action including operational improvements, reduced flaring and venting and offshore electrification.
- The proposals in the deal are for industry to invest, with government support, in the first offshore electrification hub project in UKCS. This could make a significant contribution to emissions reduction targets c. 10% of the industry's production emissions.
- There are significant technical and economic challenges associated with platform electrification including the economic viability of utilising power from UK shore. This is due to the cost of required platform modification and the prohibitively high cost of power from the UK mainland. OGUK are therefore looking at options for exemption from a number of tariffs so the costs are competitive with purchasing power from Norway.
- Reducing production emissions will provide both an environmental and economic benefit. Carbon prices are expected to increase which will be an important factor in the ongoing viability of offshore oil and gas. Reducing emissions will therefore extend the life of existing assets.

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Commitment 2. CCS – Deliver CCS capacity of at least 10 mt pa by 2030, underpinned by the necessary Transport and Storage infrastructure and supporting business models

- The proposals include the development of 3 transport and storage infrastructure hubs to service the needs of 4-5 cluster projects across the UK
- In addition to the Acorn project, hubs would be located in the North West and North East of England.
- The aim is for hubs to be operational by 2025 with continued scale up to 2030
- This will provide new opportunities for oil and gas supply chain to diversify
- OGUK propose a suitable risk and reward model is put in place to facilitate investment
- OGUK will be asking for a portion of the £800m funding announced by the UK Government for the development of CCS infrastructure in the UK, to go towards these three hubs

Background on Acorn project:

- Scotland is in pole position to have the first UK CCS project in Acorn, and this could receive shipped CO₂ via Peterhead as soon as 2026. We understand that UK clusters in the North West and Teeside/Humberside will develop their own storage projects, and that the South Wales cluster will require a storage solution that is likely to involve shipping of CO₂ to another location. These projects do not have the same opportunities for reuse of transport infrastructure that Acorn has access to. This brings uncertainty to their projects in terms of cost and timings.
- In the spirit of UK collaboration, a shipping solution to Acorn in the interim would allow UK clusters to develop their capture potential in advance of more localised storage solutions becoming operational. This also allows projects to be linked to provide long term resilience across the UK.

Commitment 3. Hydrogen economy – A clear Hydrogen strategy for the UK, consistent with replacing 50TWh of current gas usage with hydrogen by 2030

- The deal aims to drive large scale production of green and blue hydrogen, with effective storage, transportation and distribution and a competitive hydrogen market, integrated with the natural gas system.
- OGUK are primarily focused on the production of blue hydrogen.
- There is not currently demand for hydrogen at this scale within the UK so one of the asks is to stimulate this demand. Creation of demand will be quite localised – this is likely to initially be industrial demand, followed by transportation and domestic demand.
- The investment required to facilitate production capacity of this scale is still uncertain, and further work will be done in the next few weeks to understand the requirements.
- There is a need to ensure public support and buy in to the integration of hydrogen into gas network

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Commitment 4. Global Supply Chain – Transition the oil and gas supply chain into new energies, growing exports to at least £20bn by 2035

- OGUK plan to develop a consortia to sponsor and develop new technology projects through the UK's supply chain. Government funding will be required for the development of the consortia.
- OGUK are considering levers to ensure local content is as high as possible. This could be driven by either industry competitiveness or government intervention. At this stage OGUK are not suggesting a government mandated target, but are looking to build capability in the UK to increase competitiveness.
- One of the primary actions is a review of the UK's existing capabilities, technologies and services. The review will determine the value that can be captured by existing supply chain capabilities, and to what extent these capabilities need to be developed. This will be mapped against international opportunities to understand how supply chain can leverage these and to develop smart targets on the proportion of local content.
- OGUK are working with a range of companies on this including SE, EIC, OGA and OGTC.
- Simplifying access to R&D funding is also key - there's already a lot of funding available but OGUK members struggle to understand what is accessible.
- The capability which will be built as part of commitments 2 & 3 will support the supply chain to be able to export

Commitment 5. Jobs – Secure up to 80,000 jobs by 2030, increase the representation of underrepresented groups and support a new generation of talent

- The deal aims to secure existing and new high value jobs in the sector. The number secured depends on depends on how much activity and investment is unlocked and will largely be an outcome of the first 4 commitments.
- Jobs are 50/50 between direct and indirect
- OGUK are working closely with the Energy Skills Alliance (ESA) to map demand across the energy sector and develop clear pathways to allow the transferability of jobs across the sector. The Scottish Government are members of the ESA and will therefore contribute to this work.
- OGUK aims to increase the representation of underrepresented groups in the industry by better understanding the diversity and inclusion landscape and setting ambitious target for 2030. A survey to understand the existing workforce demographic will be issued shortly.
- Other considerations within the Deal are for continued funding to be directed to Heriot Watt's NERC CDT in Oil and Gas Programme, and the Scottish Enterprise led Future Industry Leadership Programme.

Commitment 6. Innovation Places – Create economic development and technology zones integrating low carbon energy solutions both on and offshore

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- The creation of Energy Transition Zones will help accelerate the delivery of net zero solutions and encourage collaboration across industry, government and academia.
- OGUK are working closely with ONE, helping to build the business case for the Aberdeen ETZ.
- The existing oil and gas skills and capabilities in certain areas will be leveraged and local communities engaged.
- The deal supports the creation of a Freeport regime that will attract business to local communities and positions them well for global export opportunities.

Scottish Government view on Freeports

- The Scottish Government is currently assessing the potential benefits and risks around Freeports for trade, growth and local economies in Scotland.
- The Scottish Government is examining the potential of Free Ports, we remain of the opinion that the best interests of Scottish businesses and the promotion of international trade are best served by close alignment with the EU.

Annex B – Draft OGUK Press Release

Oil and gas body calls for vital pot of cash to help safeguard jobs and secure low carbon future

The leading UK oil and gas industry body OGUK has today (XX) called for half of the Scottish Government's Green Jobs Fund to help realise the energy transition by safeguarding the sector's long-term net zero contribution as it pushes ahead to support the country's climate ambitions.

The cash injection would help protect vital jobs, whilst expanding the industry's vast skills as part of the green recovery – boosting a critical sector at the heart of the UK economy which has and continues to be immensely challenged by a volatile economic landscape.

This follows on from the 'Programme for Government' announcement to support businesses in the oil, gas and energy sectors over the next five years as they grow and diversify, and to help attract private sector investment in the North East of Scotland.

It also comes ahead of an OGUK meeting with the Cabinet Secretary for Finance, Kate Forbes MSP on Thursday 10 September.

OGUK's chief executive Deirdre Michie commented:

"We welcome the Green Jobs Fund by the Scottish Government and what it can offer our sector as it continues to face volatility. This is due to the triple whammy of COVID-19, alongside both low oil and gas prices, which has left the sector and our supply chain with unprecedented challenges.

"In tough circumstances, the UK faces a once-in-a-lifetime opportunity to realise an energy transition which delivers affordable energy, supports jobs and enables our industry to put our skills to work to help cut emissions.

"I would hope that at least half of this funding can find its way to oil and gas companies – it would be a welcome step in the right direction and a huge boost to our industry, and we look forward to continuing our work with government to realise the full potential of our sector in delivering the UK's energy future.

"Despite the challenges heaped on the sector by the global pandemic and low oil and gas prices, this industry and its workforce helped to heat our homes and keep the lights on across the country

"We have also demonstrated how the Roadmap 2035 offers a sensible blueprint which keeps net zero firmly on the agenda while also supporting energy communities to embrace new opportunities – including carbon capture and hydrogen. Despite the

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pressures experienced by the sector, over eight essential actions have already been delivered.

“Our industry will play its part by reducing its emissions and using its skills to develop the solutions that will be needed to make a significant contribution to the UK’s overall targets – and this is why we are asking for this critical support now.”

Ends

Notes to Editors:

Issued by the Communications Team, OGUK. Contact Communications x, Name, Number/ Email

[OGUK](#) is the leading representative organisation for the UK offshore oil and gas industry. Its membership comprises oil and gas producers and contractor companies.

Annex C – Asymptomatic Testing

OGUK and the wider industry continue to call for the importance of asymptomatic testing of their workforce.

- Testing is currently available at onshore testing facilities under the UK testing programme for workers in the oil and gas sector and family members who display symptoms.
- Anyone in Scotland who is presenting with symptoms is able to book a test at the regional and mobile drive through test centres or home test kits, subject to availability.
- However, a level of priority for testing appointments at the drive through test centres will be maintained for key workers and their household members to support them returning to work where it is safe to do so.
- Testing is targeted at those who are self-isolating because they are symptomatic, or have adult household members who are symptomatic, to help enable critical workers to return to work as soon as safely possible.
- The tests are effective at identifying people who have COVID-19, but only when they are symptomatic.

The Chief Medical Officer met with Oil and Gas UK on 18 August to understand directly the sector's ask for asymptomatic testing and how this could support the sector through the oncoming winter period.

- No decisions were taken on this call but officials will continue to engage with Oil and Gas UK on this request.
- On a call with OGUK on 8th September, the Energy Minister committed to ensuring any evidence or data provide by OGUK to support their request would be passed on to appropriate colleagues.

Annex D – Roadmap 2035

Oil and Gas UK published the industry's Roadmap 2035 in 2019, following an engagement campaign with their members, which outlines the steps and actions the oil and gas industry will take to support the transition to net zero.

Roadmap to 2035: A Blueprint for net-zero sets out five key themes requiring industry, government and regulator action to ensure the sector can continue to provide secure energy supply, support net-zero and remain a vital contributor to the UK economy.

- The 5 key themes are:
 - Supporting net zero
 - Helping to meet the UK's energy needs
 - Developing people and skills
 - Driving technology and innovation
 - Growing the economy and exports
- It includes co-ordinating activities to reduce emissions from the production of oil and gas, which currently accounts for 3 percent of UK total greenhouse gas emissions, and understanding how the UK oil and gas industry can play a key role in developing and commercialising low carbon technologies including Carbon Capture Usage and Storage and hydrogen.
- Some of the key actions as part of the roadmap include:

Supporting Net Zero

- Become a net zero oil and gas basin by 2050
- Support the development of CCUS and other low-carbon technologies at scale

Helping Meet UK Energy Needs

- Provide over half of the UK's oil and gas demand
- Deliver over 1 million barrels of oil and gas per day in 2035
- Be the foundation of an integrated energy system on UKCS

Developing People and Skills

- Develop a diverse workforce with transferable skills, supported by an inclusive culture
- Support 130,000 jobs across the energy spectrum

Driving Technology and Innovation

- Establish a Net Zero Technology Solutions Centre
- Create more than 100 new technology start ups
- Add over £10 billion in economic value through technology and innovation

Growing the Economy and Exports

- Increase exports from the diversified oil and gas sector to £20 billion each year
- Increase the number of supply chain firms exporting by 50%

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What	Meeting with OGUK on North Sea Transition Deal
Where/ When	By Phone Tuesday 8 September 09:00 – 09:45
Who	Deirdre Michie , Oil and Gas UK Jenny Stanning , Oil and Gas UK
Why	<p>OGUK have asked for a meeting to present an overview of their North Sea Transition Deal proposal.</p> <p>The deal is being presented as a joint contract between industry and Government, which will enable industry to unlock the economic potential of the energy sector.</p> <p>Key messages:</p> <ul style="list-style-type: none"> • Supportive of the North Sea Transition Deal and recognise its role in supporting the sector and accelerating the energy transition <p>OGUK will also be presenting an overview of the deal to the Cabinet Secretary for Finance on Thursday 10th September.</p>
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Suggested points to make:

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- The creation of Energy Transition Zones will help accelerate the delivery of net zero solutions and encourage collaboration across industry, government and academia.
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Scottish Government view on Freeports

- The Scottish Government is currently assessing the potential benefits and risks around Freeports for trade, growth and local economies in Scotland.
- The Scottish Government is examining the potential of Free Ports, we remain of the opinion that the best interests of Scottish businesses and the promotion of international trade are best served by close alignment with the EU.

Call with Mr Wheelhouse, Minister for Energy, Connectivity and the Islands 8th September 2020

Attendees:

Mr Wheelhouse, Energy Minister
Deirdre Michie, OGUK
Jenny Stanning, OGUK
Linsey Wilson, Scottish Government

Key discussion areas

- OGUK reiterated their calls for the sector for Asymptomatic Testing, referencing the recent engagement with the CMO. Noting that the barriers that the sector had put in place were working well, with last week only 5 suspected cases returned to shore. Confirming that if the use of Asymptomatic Testing was possible, there original barriers would continue to remain – this would simply be viewed as an added step and was supported by both the TUs and wider industry.
- Activity offshore has increased but the sector remains approx. reduced by 2,000 offshore personnel pre-Covid. There is also a clear expectation that with the closing of the JRS in October there will be a significant increase in the rise of redundancies occurring across the sector.
- OGUK outlined the three objectives of the North Sea Transition Deal, and how this is shaped by the 6 deal commitments: cleaner energy, CCUS Transport and Storage, Hydrogen, Exports and the Supply Chain, Employment, Innovation, and Place.
- OGUK caveated that the commitment figures are still under discussion with BEIS, with the calculations on Hydrogen significantly more challenging to quantify. The employment figures are looking for the Deal so support 80,000 jobs (including direct and indirect) but this is ultimately dependent on how much investment is actually unlocked.
- OGUK will be issuing a D+I Survey across their membership which will aid in the sector setting a benchmarking target.
- In terms of unlocking investment, the first electrification hub will be the most significant cost (potentially £1.2-£2bn)
- Energy Minister highlighted SG's actions on heat decarbonisations recognising the opportunities that this could provide for the North East, and in terms of balancing demand and transmission charges.
- OGUK noted that BEIS were supportive of an ETZ but that this would not be supported through a Sector Deal proposal, but was more fitting to a City Deal or Port Activity support OGUK continue to lobby for ETZ but see it very much as one of the outcomes of any deal instead of being directly part of the deal itself.
- Discussions are ongoing with BEIS over the next five weeks, with a series of deep dives being undertaken on each of the 6 commitments.

Call with Ms Forbes, Cabinet Secretary for Finance, 10th September 2020

Attendees:

Ms Forbes, Cabinet Secretary for Finance

Deirdre Michie, OGUK

Jenny Stanning, OGUK

Linsey Wilson, Scottish Government

Key discussion areas:

- Discussion focused on recent sector calls for expansion of asymptomatic testing for the offshore workforce, referencing a recent meeting with the CMO on this matter – particularly to understand what further evidence could be provided by the sector on the wider benefits, and the value of any changes of SG's current testing approach would bring to the sector's wider response to dealing with and managing Covid cases offshore. OGUK highlighted the sectors broader response to Covid, with a range of measures already in place across the sector, and the work of OGUKs Pandemic Steering Group.
- OGUK are preparing for ongoing discussions with BEIS on the specific commitments underpinning the NSTD, and the value and opportunity that the deal brings to both Scotland and the wider UK. The opportunities of job creation across Scotland and expected benefits across the wider supply chain, and what the impact of this would be within a Scottish / UK context was discussed, including work on understanding the Scottish and UK's supply chain capability and mapping this against current strengths and weaknesses.
- Technology innovation and relevant funding streams was discussed, including the recognition that in terms of specific funding resource, this would likely be drawn down from various funds already publicly available. The Cabinet Secretary refer the ongoing commitments that SG had made in this landscape through the EN
- OGUK noted that BEIS were supportive of an ETZ but that this would not be supported through a Sector Deal proposal, but was more fitting to a City Deal or Port Activity support OGUK continue to lobby for ETZ but see it very much as one of the outcomes of any deal instead of being directly part of the deal itself.
- The meeting closed with an ask to OGUK to raise awareness of any barriers in the progress and delivery of the deal, particularly if there was a role for Scottish Government.