



25th Oil and Gas Survey

Professor Graeme Roy

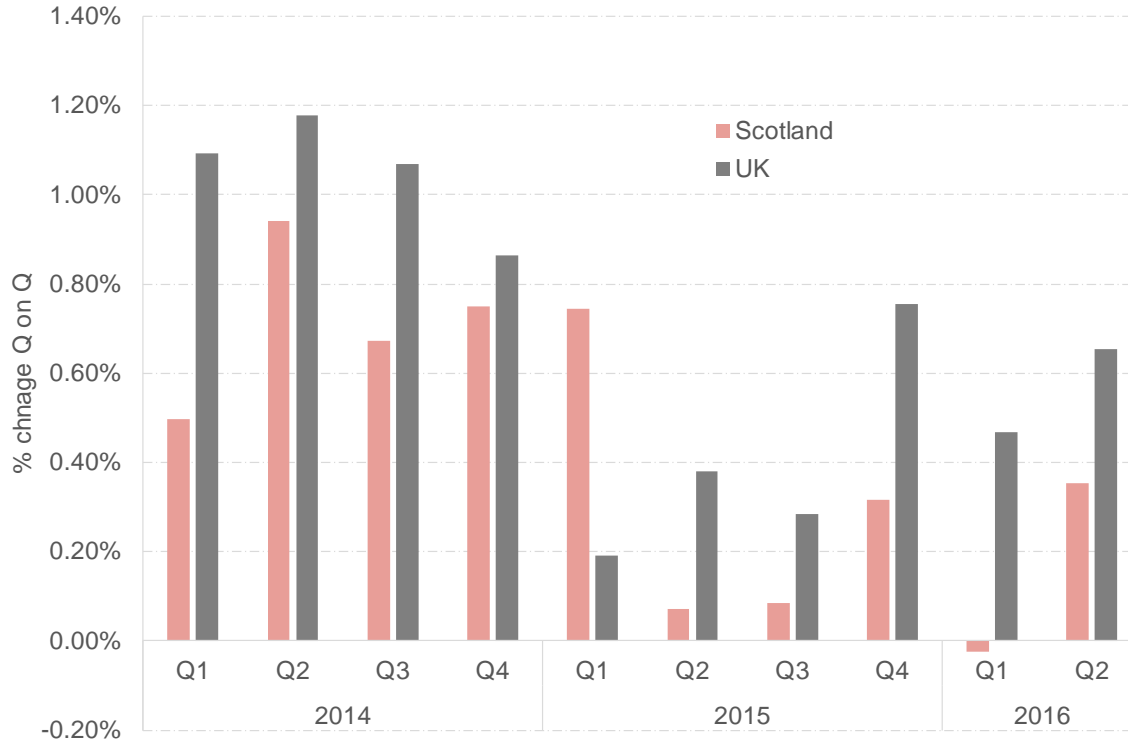
Fraser of Allander Institute

Bond Dickinson

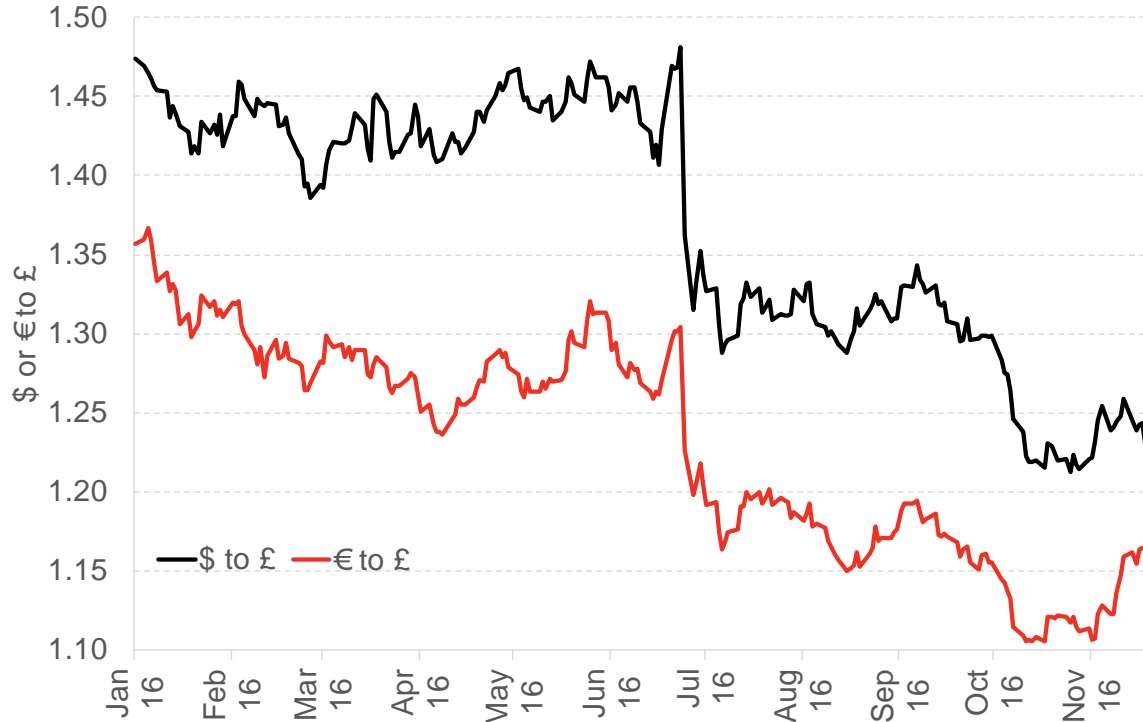
Context

- UK Oil and Gas sector prepares to enter the third year of the current low oil price period
- UKCS production rose during the first half of 2016 but the outlook remains challenging. Production increases mainly achieved on the back of several years of investment in major new projects
- Investment has fallen around 40% from peak
- Sector resilience to global 'shocks' – e.g. Brexit & US Elections.

The Economic Backdrop



Exchange Rate - Depreciation

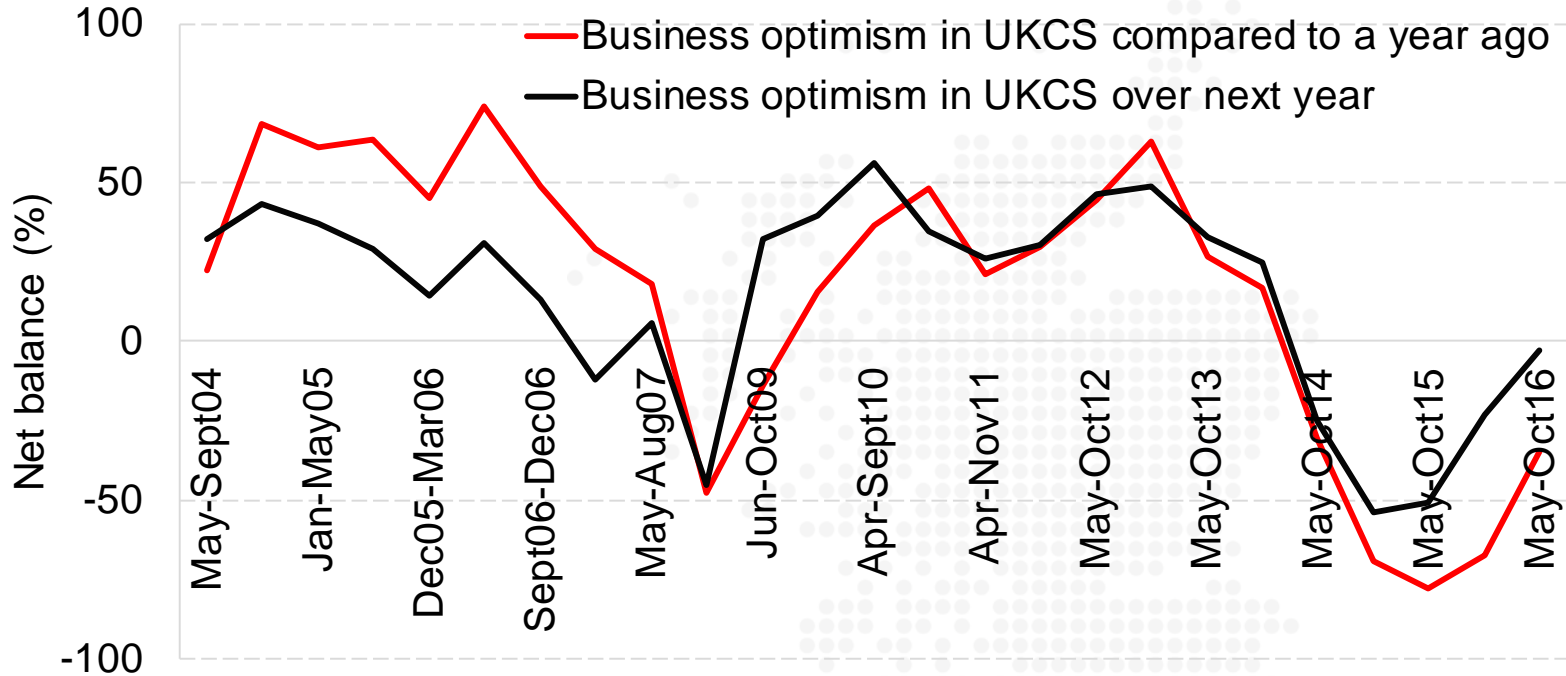


The survey

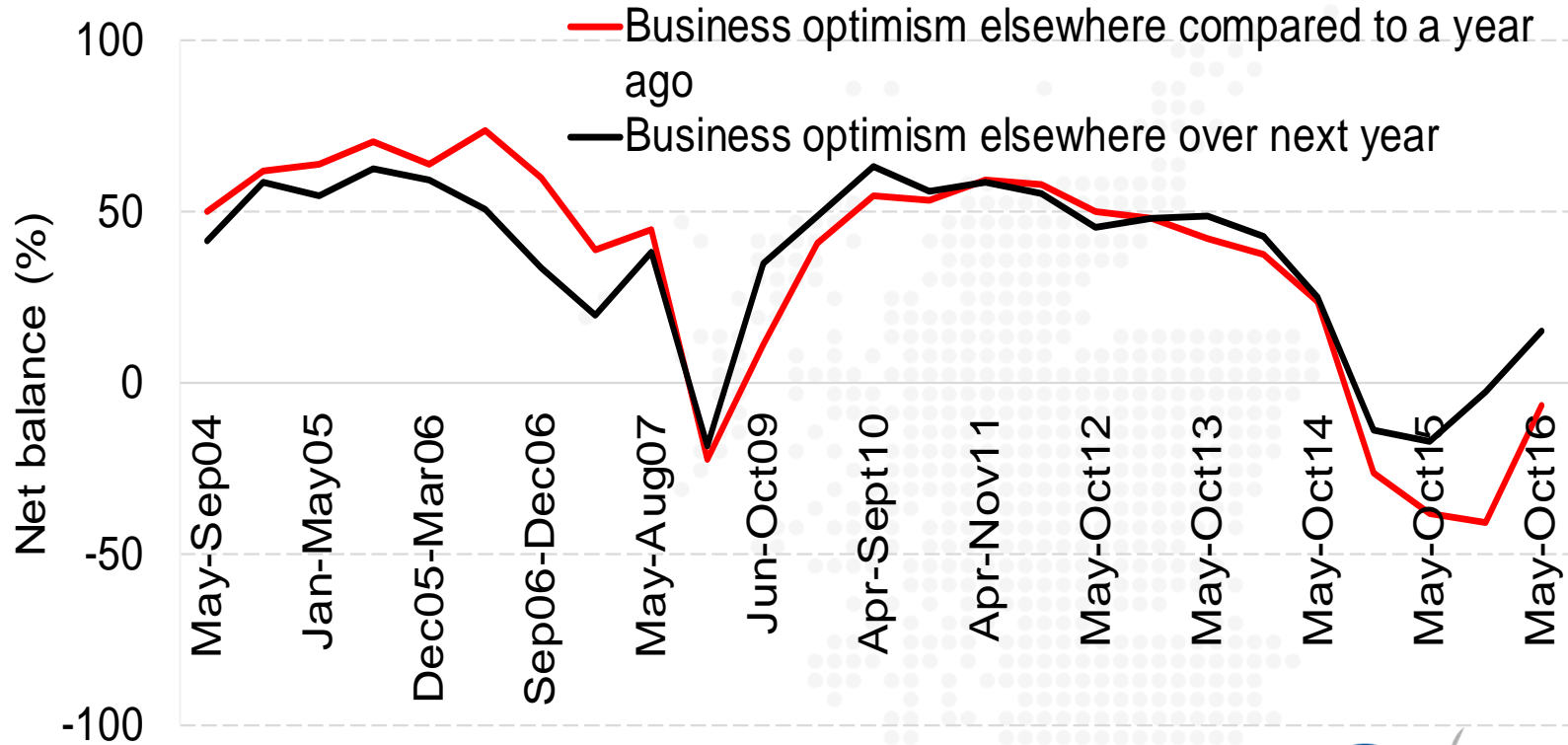
- Since 2004, survey of contractors and operators
- Regular (repeated) questions
 - Business confidence, activity this/next year, and medium term
- Annual questions on labour market issues asked in Autumn/Winter surveys
- Bespoke questions on the future skill needs of the industry and “hot topics” on Brexit and the business cycle.

The results

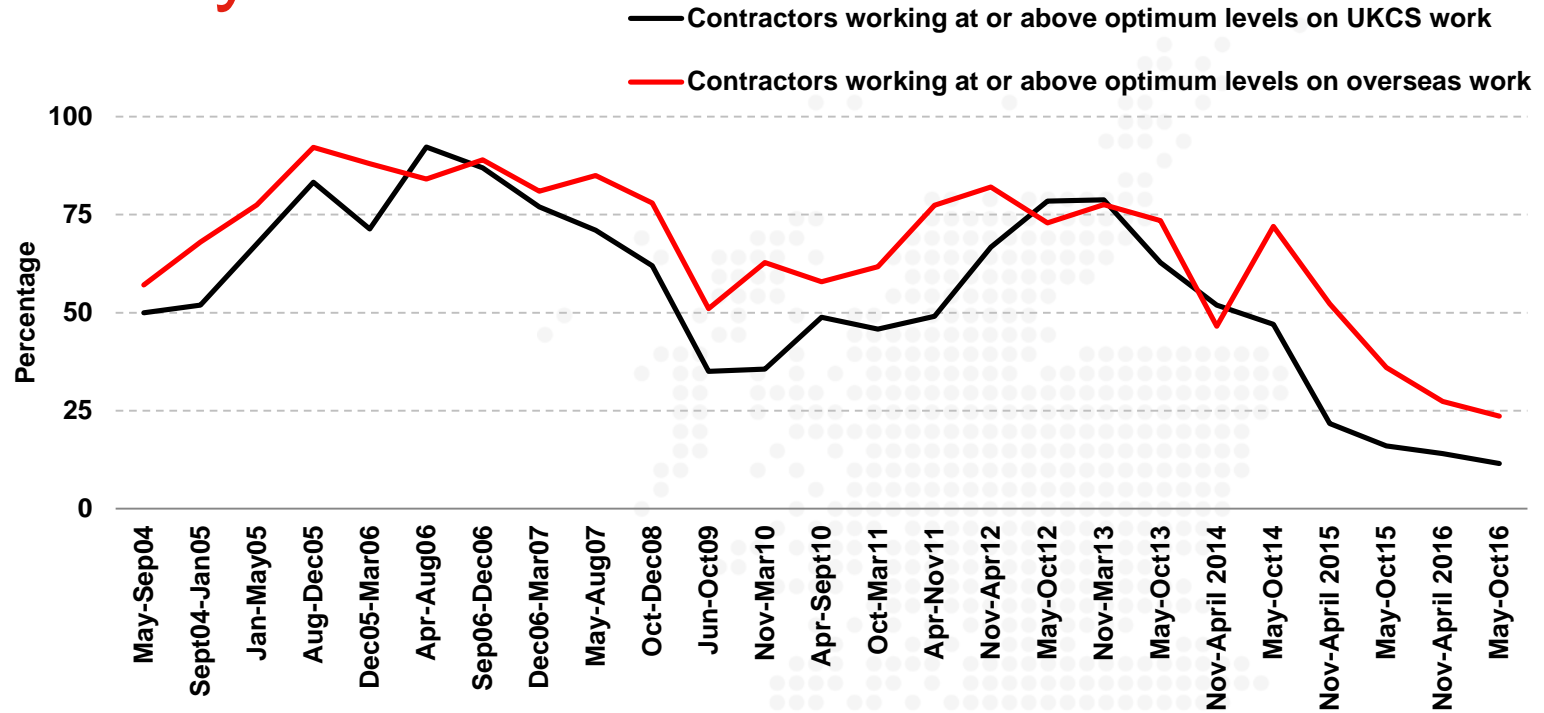
Confidence in UKCS



Confidence elsewhere



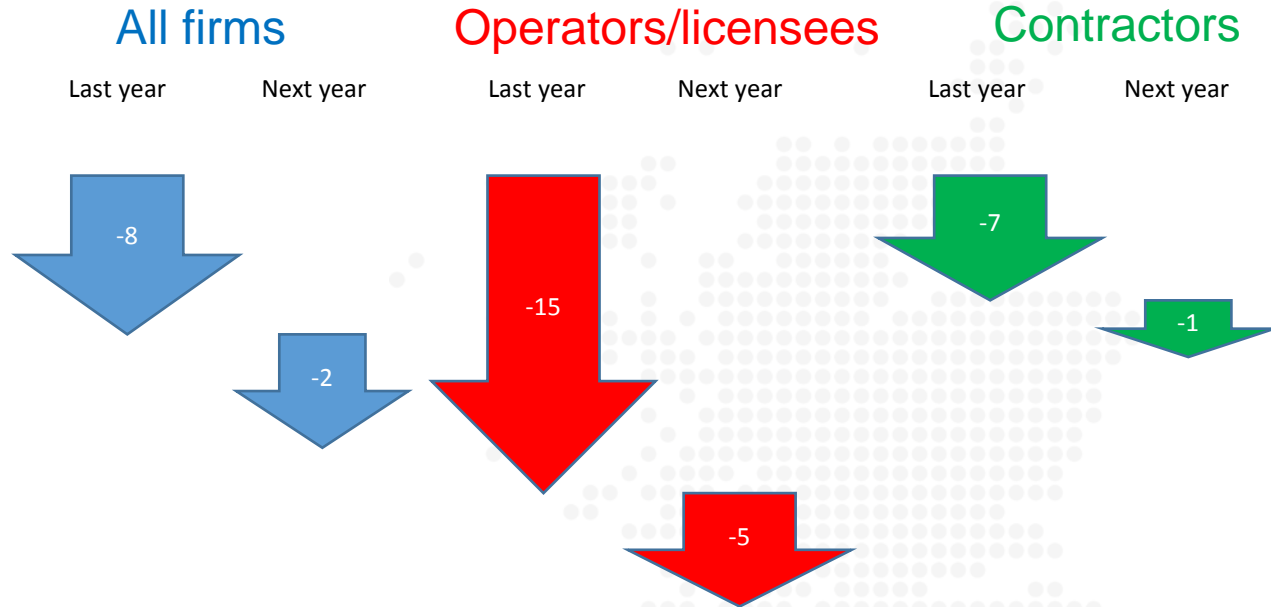
Activity levels



Workforce and redundancies

- 68% of contractors reduced employment in last twelve months
- Only 8% of contractors increased employment in the last twelve months
- 25% of contractors reduced their workforce by more than 20% in 2016
- 50% of contractors expect no change to their UK based workforce in the next twelve months

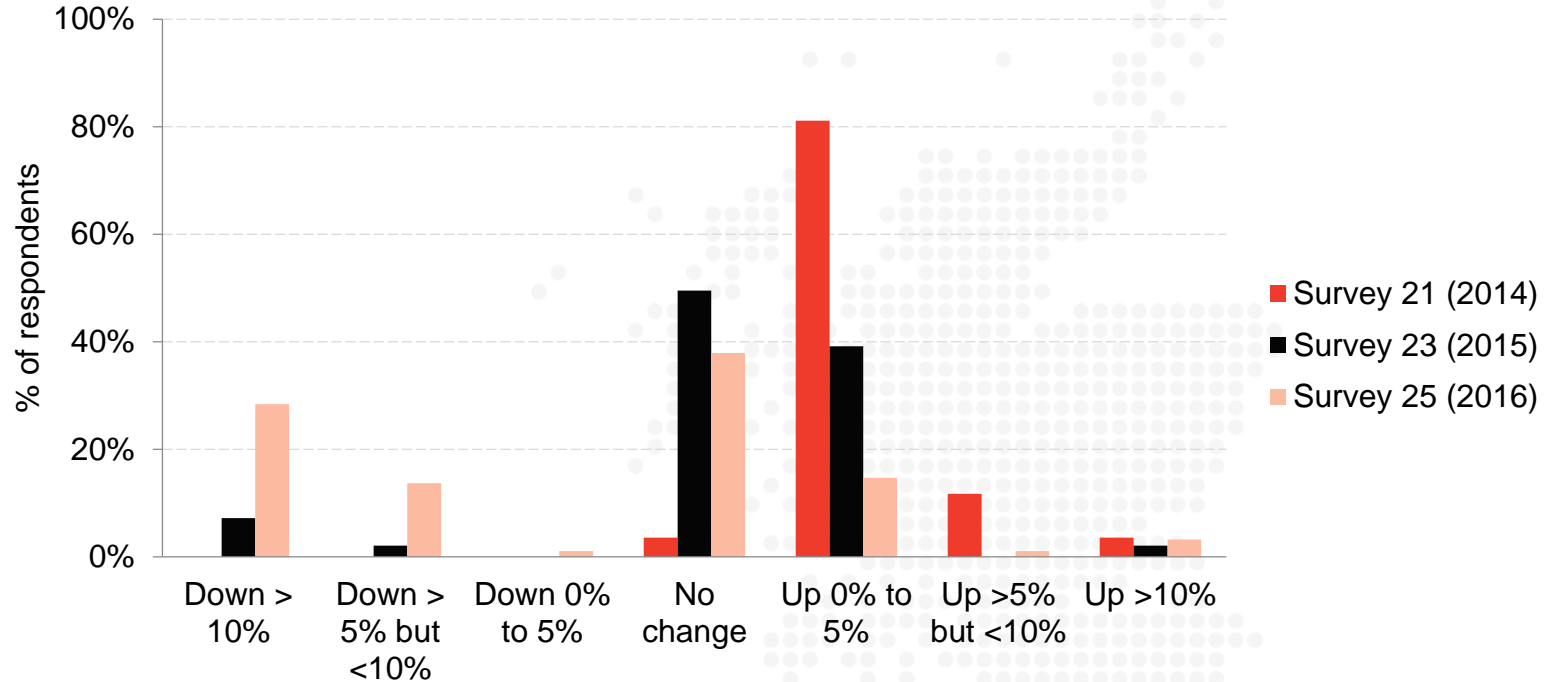
Workforce changes, %



- Also, further knock-on consequences through the (non-O&G) supply chain

Pay Awards

Pay decreased by -4.5% (median) - 1st time in history of the survey pay growth was negative



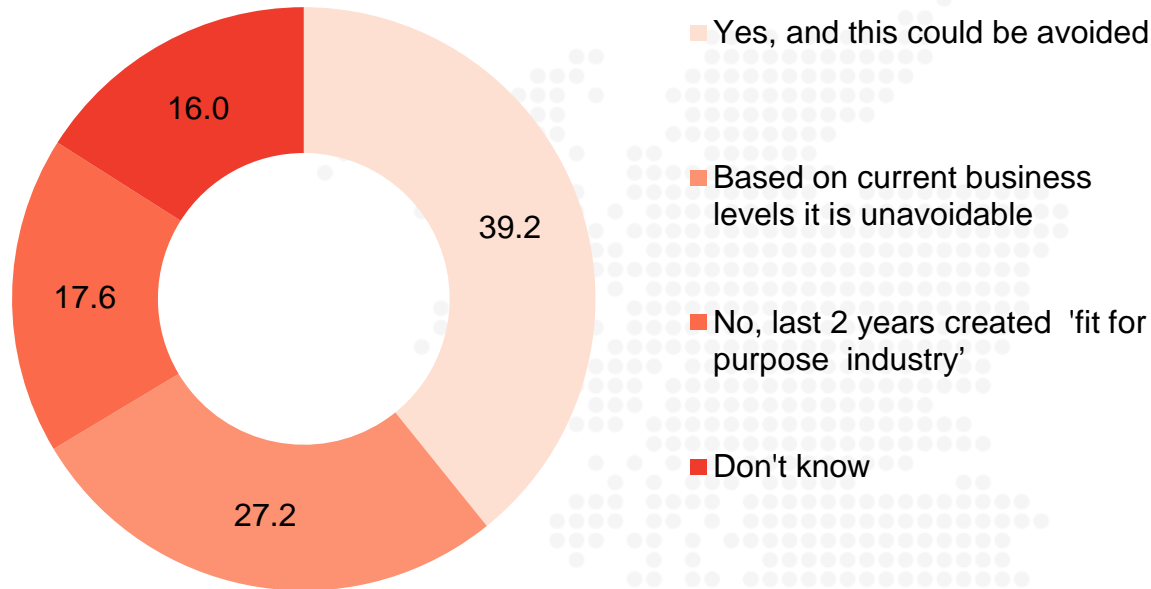
Recruitment and retention

- Recruitment and retention problems marginal
- Although some fears raised over skill shortages with skilled personnel leaving the industry
- Reasons for losing staff:
 - 45% of all firms lost staff to other industry
 - 33% of all firms lost staff to retirement

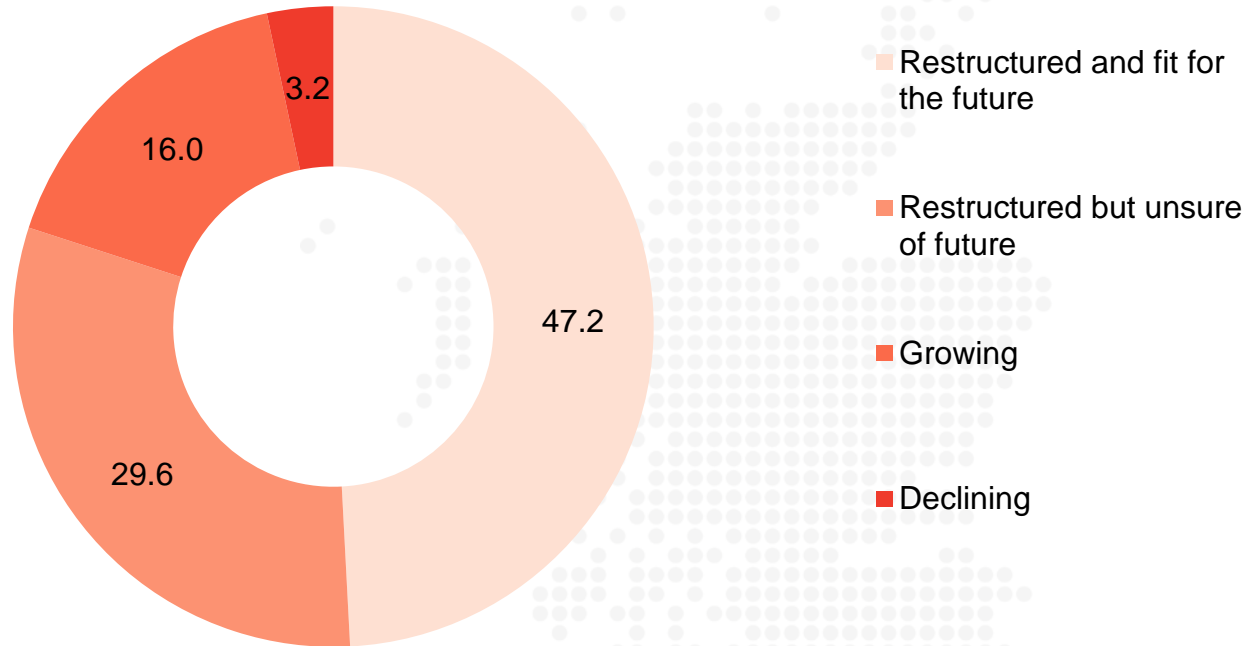
Hot topics

- 58% say the UK's decision to leave the EU has had no impact on their business
- Change in \$ exchange rates as a result of Brexit has had a negative impact for 46% of firms
- The oil price fall since 2014 has had a negative impact for 91% of firms
- 26% welcomed the stabilisation of oil price in recent months

The industry has reported that it has suffered skills shortages due to poor workforce planning in the 1980's. Do you anticipate that we could be creating the same challenges as a result of this downturn?



What position do you expect to be in by 1 January 2017?



When do you think the sector will reach the bottom of its current cycle?

- 29% said that it already had
- 36% said it would bottom out within a year
- 25% expect it to reach the bottom of the cycle within the next 1-2 years
- 10% expect this to be longer than 2 years



25th Oil and Gas Survey

Bond Dickinson