

UKCS Capital Expenditure survey 2015

Introduction

A survey of activity relating to oil and gas fields and associated infrastructure on the UK Continental Shelf (UKCS) was conducted in autumn 2015 during a period of low oil prices. The annual joint Oil and Gas Authority (OGA)–Oil & Gas UK survey was conducted by Oil & Gas UK who have collated the data and provided it to the OGA. The survey covered operators' intentions to invest in UKCS oil and gas production. It also collected information on projected operating and decommissioning costs and on oil and gas production. The survey excluded exploration and appraisal activity. This note is restricted to development capital expenditure in the period up to 2020.¹

Summary of results

The survey indicates total development capital expenditure (i.e. excluding expenditure on exploration, appraisal and decommissioning) relating to existing fields and significant discoveries of some £11.6 billion in 2015. Operators' expectations of future capital expenditure suggest that expenditure will fall in 2016 and subsequent years. Much uncertainty applies to such projections but the OGA's central estimates are for spend of £10 billion in 2016 and £8 billion in 2017. These estimates assume lower oil prices reduce both the volume and cost of planned development capital expenditure.

After 2016, the survey indicates much uncertainty about the level of as-yet-unsanctioned development capital expenditure. Projections of such spend are inevitably very uncertain especially in the present oil price climate. It is extremely unlikely that all of the possible projects will go ahead as reported, at least on the timeframe indicated, but against that the survey excludes activity relating to new and some recent discoveries and extends beyond the time horizon for planning many incremental projects.

Background

Operators were asked to report their investment intentions for all oil and gas field developments and projects where development data were available. They placed each field or project in one of the following categories:

Sanctioned fields - fields, including sanctioned incremental investments, which are in production or under development assuming minimum ongoing investment (e.g. mandatory environmental or safety projects, etc.)

'Probable' incremental projects - projects which are not yet sanctioned but with at least 50% probability of being technically and economically developable

Probable new field developments - new fields which are not yet sanctioned but with at least 50% probability of being technically and economically producible

'Possible' incremental projects - projects which are not yet sanctioned with a significant but less than 50% probability of being technically and economically developable

Possible new field developments - new fields which are not yet sanctioned with a significant but less than 50% probability of being technically and economically producible

Operators were asked to include any developments which have the potential to become commercial at some time in the next 10 years. They were asked to indicate the probability of each new field or project going ahead and to use the central (most likely) case in the event that there was uncertainty about the timing of expenditure. Operators' estimates (of costs and production) were meant to be consistent with commercial development.

1. A report by Oil & Gas UK on the full range of findings from the survey and a parallel survey of exploration and appraisal activity, *Activity Survey 2016*, was published in February 2016 and is available online at <http://oilandgasuk.co.uk/>.

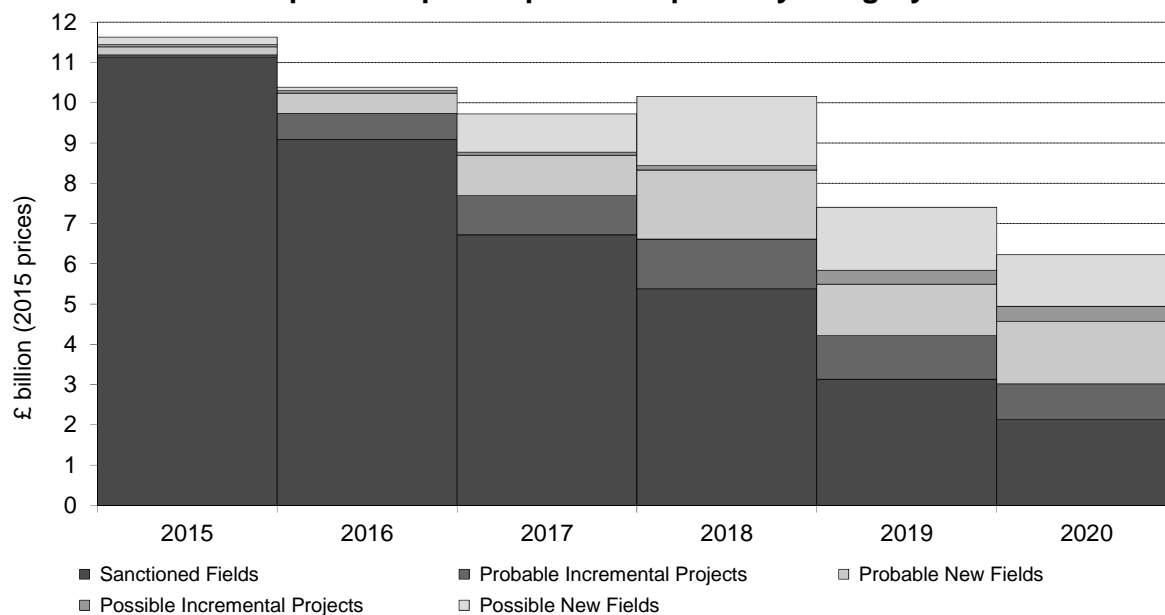
Capital expenditure plans by category

The results of the survey are summarised in Table 1 and illustrated in Chart 1. Expenditure has been included on the scale and at the time reported by the operators though it is likely that at least some of the less-certain projects will slip or even not materialise. The table also includes weighted totals which reflect the probabilities assigned by the operators. The resultant profile for total development capital expenditure is close to but generally below that for sanctioned fields plus probable projects.

Table 1: Total development capital expenditure plans by category

(£ billion, 2015 prices)	2015	2016	2017	2018	2019	2020	Total for 2016–2020
Sanctioned Fields	11.1	9.1	6.7	5.4	3.1	2.1	26.5
Probable Incremental Projects	0.1	0.7	1.0	1.2	1.1	0.9	4.8
Probable New Fields	0.2	0.5	1.0	1.7	1.3	1.6	6.0
Sanctioned plus Probable	11.4	10.2	8.7	8.3	5.5	4.6	37.3
Possible Incremental Projects	0.1	0.1	0.1	0.1	0.3	0.4	1.0
Possible New Fields	0.2	0.1	1.0	1.7	1.6	1.3	5.6
Sanctioned plus Probable plus Possible	11.6	10.4	9.7	10.2	7.4	6.2	43.9
Weighted Total	11.6	10.2	8.7	8.3	5.4	4.4	36.9

Chart 1: Total development capital expenditure plans by category



Compared with the survey conducted in 2014, the 2015 survey indicates operators' intentions over the five years following the survey year are for lower development capital expenditure but with a higher share of sanctioned spend and a lower share for possible spend.

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