

UKCS capital expenditure survey 2011

A survey of activity relating to oil and gas fields and associated infrastructure on the UK Continental Shelf (UKCS) was conducted in autumn 2011. The annual joint DECC–Oil & Gas UK survey was conducted by Oil & Gas UK who have collated the data and provided it to DECC. 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 2016.¹

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 just under £9 billion in 2011. The reported survey data suggest that (in 2011 prices) expenditure might rise to more than £12 billion in 2012 and £11 billion in 2013 but great uncertainty applies to these figures and, based on recent experience, they seem unlikely to be reached in practice, with £11.5 billion in 2012 and £10 billion in 2013 more reasonable central estimates.

After 2013, the survey indicates a sustained high level of development capital expenditure but such projections are inevitably very uncertain. 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, *2012 Activity Survey*, was published in February 2012 and is available online at www.oilandgasuk.co.uk/.

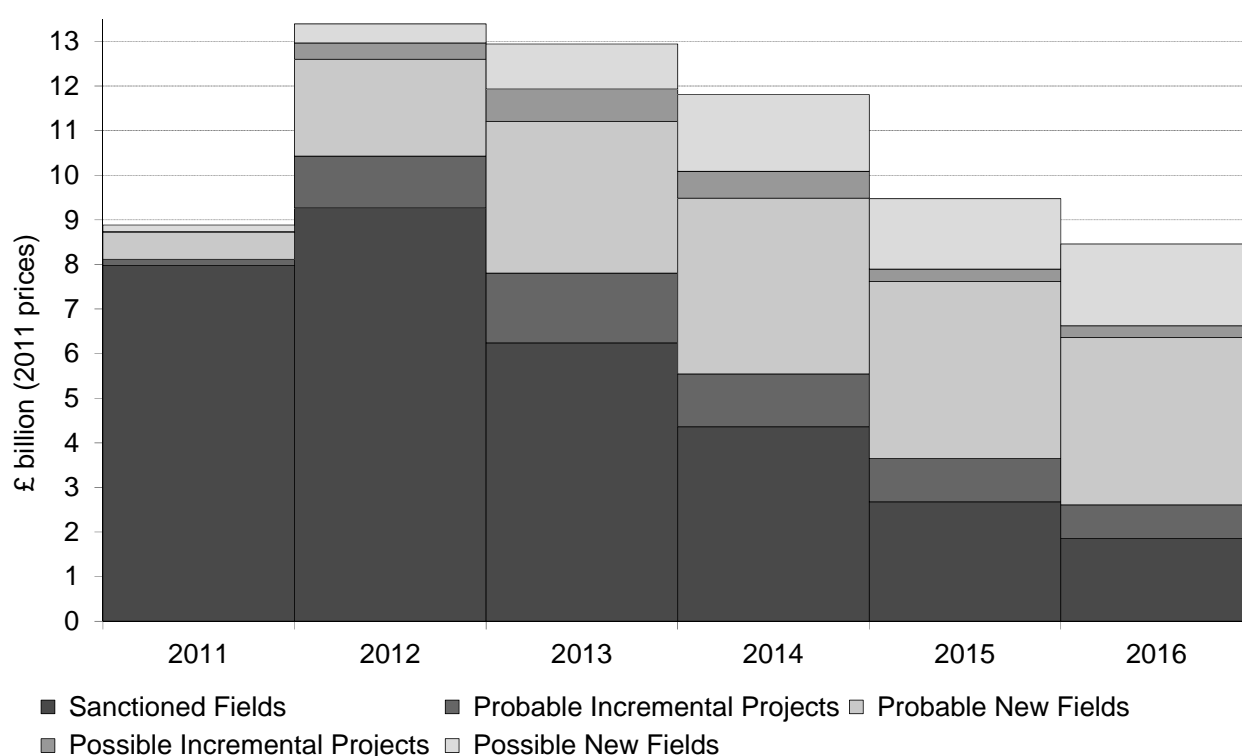
Capital expenditure plans by category

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 very close to that for sanctioned fields plus probable projects.

Table 1: Total development capital expenditure plans by category

(£ billion, 2011 prices)	2011	2012	2013	2014	2015	2016	Total for 2012–2016
Sanctioned Fields	8.0	9.3	6.2	4.4	2.7	1.9	24.4
Probable Incremental Projects	0.1	1.2	1.6	1.2	1.0	0.8	5.6
Probable New Fields	0.6	2.2	3.4	3.9	4.0	3.7	17.2
Sanctioned plus Probable	8.7	12.6	11.2	9.5	7.6	6.4	47.3
Possible Incremental Projects	0.0	0.4	0.7	0.6	0.3	0.3	2.2
Possible New Fields	0.1	0.4	1.0	1.7	1.6	1.8	6.6
Sanctioned plus Probable plus Possible	8.9	13.4	12.9	11.8	9.5	8.5	56.1
Weighted Total	8.7	12.4	11.0	9.5	7.5	6.1	46.5

Chart 1: Total development capital expenditure plans by category



Compared with the intentions over the five years following the survey conducted in 2010, the 2011 survey indicates a large increase in sanctioned expenditure both absolutely and as a proportion of the total, reflecting the approval of several major projects in the last year, while expenditure on probable projects has fallen both absolutely and as a proportion of the total.

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