

UKCS capital expenditure survey 2012

A survey of activity relating to oil and gas fields and associated infrastructure on the UK Continental Shelf (UKCS) was conducted in autumn 2012. 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. This note is restricted to development capital expenditure in the period up to 2017.¹

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 2012. The reported survey data suggest that (in 2012 prices) expenditure might rise to around £14.5 billion in 2013 and £13.5 billion or more in 2014 but much uncertainty applies to these figures and, based on recent experience, they seem unlikely to be reached in practice, with £14 billion in 2013 and £13 billion in 2014 more reasonable central estimates.

After 2014, 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.

Capital expenditure plans by category

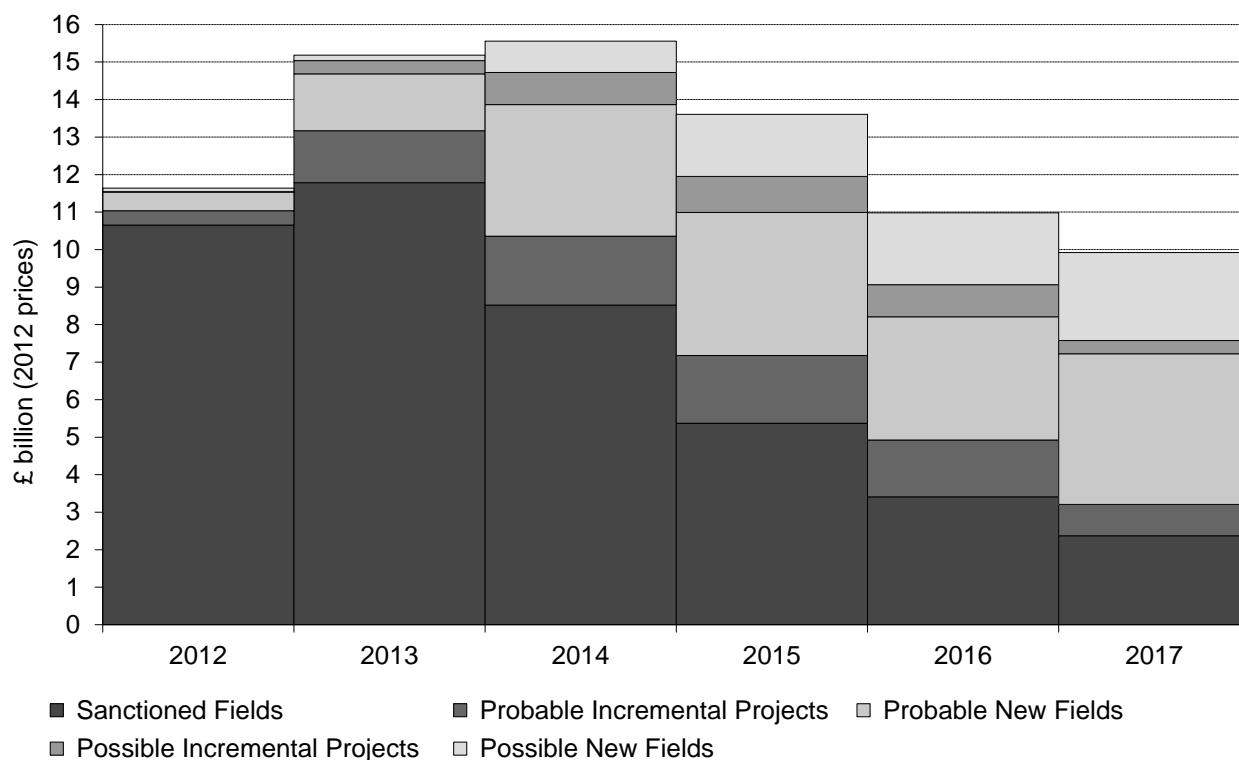
The results of the survey are summarised in Table 1 and illustrated in Chart 1. Expenditure has been included at the time reported by the operators though it is likely that at least some of the less-certain projects will slip or not even materialise. The table also includes weighted totals which reflect 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.

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, *2013 Activity Survey*, was published in February 2013 and is available online at www.oilandgasuk.co.uk/.

Table 1: Total development capital expenditure plans by category

(£ billion, 2012 prices)	2012	2013	2014	2015	2016	2017	Total for 2013–2017
Sanctioned Fields	10.7	11.8	8.5	5.4	3.4	2.4	31.5
Probable Incremental Projects	0.4	1.4	1.8	1.8	1.5	0.8	7.4
Probable New Fields	0.5	1.5	3.5	3.8	3.3	4.0	16.1
Sanctioned plus Probable	11.5	14.7	13.9	11.0	8.2	7.2	55.0
Possible Incremental Projects	0.0	0.4	0.9	1.0	0.9	0.4	3.4
Possible New Fields	0.1	0.1	0.8	1.7	1.9	2.3	6.9
Sanctioned plus Probable plus Possible	11.6	15.2	15.6	13.6	11.0	9.9	65.3
Weighted Total	11.6	14.3	13.5	11.0	8.4	7.3	54.5

Chart 1: Total development capital expenditure plans by category



Compared with the intentions over the five years following the survey conducted in 2011, the 2012 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.

Mike Earp

Energy Development Unit

Tel: 0300 068 5784

E-mail: Mike.Earp@decc.gsi.gov.uk