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SpotLight UK North Sea: Letter from the Editor
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SpotLight UK North Sea: Letter from the Editor

In the summer of 2017, the last time Gas Matters covered the UK North Sea [1], the region was deeply in the doldrums and showing little sign of recovery. Brent was hovering at the USD 50/bbl mark, and the UK's upstream oil and gas sector was still reeling from the impact of three years of painful cost reductions and efficiency measures and, in the case of some of the larger operators in the North Sea, divestment in the UKCS altogether. Meanwhile an unfavourable tax regime continued to bite at operators' balance sheets.

Our view at the time was that UK government efforts to reinvigorate the UK North Sea by overhauling the fiscal regime would be too little, too late for a declining resource out of which it was becoming increasingly difficult to squeeze value.

Fortunately, here at Gas Strategies Information Services we are usually happy to be proved wrong, and in this case, our bleak outlook may have been overly pessimistic. The fiscal regime remains a work in progress, but a peruse of the archives at our daily news service Gas Matters Today [2] will reveal that over the past year, with the oil price slowly ticking up, investment from the large, traditional North Sea players has finally started to find its way back to the region, and, as evidenced by Total's find in the west of Shetland area, frontier development is now back on the menu.

Of course, this is likely symptomatic of the slow, cautious recovery of the global oil and gas industry more generally which has led to increased IOC spending across all of their portfolios. But the lean times have nevertheless left a singular legacy in the North Sea: a new breed of smaller, nimbler companies [3] led by homegrown expertise and backed by private equity, which have filled the gap left by the majors and US drillers during the oil price crash to draw out the value of the UK's ageing offshore fields.

Meanwhile, the burden of decommissioning, the topic of our first article [4], sits heavily on North Sea operators and the public purse alike. The government's optimism that the UK can become a global decommissioning hub – at times at cross purposes with its eagerness to revitalise the North Sea [5] – is yet to be borne out by the facts. The future of the North Sea will depend on its ability to adapt to the changing operational environment [6] and the push towards decarbonisation is never far away.

And so I present the first of Gas Strategies Information Services' focused content series, the SpotLight: UK North Sea. We'll be using the North Sea as shorthand for the UK Continental Shelf (UKCS), as is the usual terminology in the UK oil and gas industry.

I hope you find this series interesting, useful and enjoyable. As ever, our door is open for feedback, and you'll find my contact details below.

Rachel Parkes, editor, Gas Matters

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