

Survey Shows UK's Oil and Gas Industry Plans Big Boost to Investment in Britain in 2001



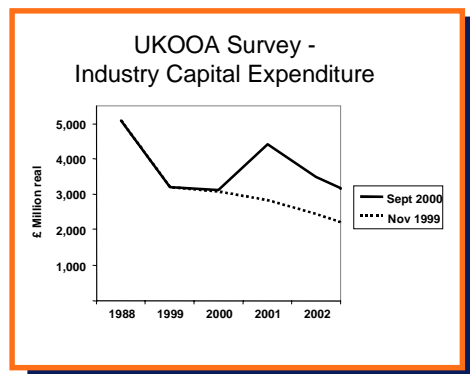
A UKOOA survey of the investment intentions of the UK's oil and gas operating

companies has been released today by the Industry Leadership Team (ILT). It reveals that operators intend to increase investment in the UK Continental Shelf (UKCS) by more than 33% over 2000 investment levels.

The survey shows that new investment next year could amount to over £4bn, even before exploration expenditure is included. This compares to a figure of around £3bn that operators expect to invest by the end of the current calendar year.

Nearly half of next year's potential investment has been approved, and operators' leaders are confident that the big boost can be delivered.

Malcolm Brinded, Managing Director of Shell Expro (Shell UK Exploration and Production), who co-chairs the ILT, commented on the survey: "The return of confidence to the UKCS was initially slow following the collapse of the oil price



in 1998, reflecting the maturity of the UK basin. However, the work of PILOT and the combined efforts of companies throughout the supply chain are beginning to bear fruit. The improving

competitiveness of the UK is allowing operators to increase capital investment here in the face of tough global competition. I am increasingly confident that the long term PILOT aspirations* for sustained investment and employment in the UK oil and gas industry will be realisable.

"It is important not to lose focus. A significant amount still has to be done to ensure that all the potential investments gain approval but the continuing efforts to keep improving the UKCS' competitive position can only help. Investment levels in the next few years are going to be critical in deciding the future of the UKCS"



Mike Mannering

Mike Mannering, ILT member and Managing Director of Schlumberger UK, added: "It is crucial that we get this investment next year. The resources of the contracting

and supplies section of the Industry will find demand elsewhere in the world if projects are not forthcoming here.

"We can only hope that the current favourable economic conditions will prevail, as this will allow the operators to deliver this large increase in investment. UK based contractors are as competitive as any in the world and thereby able to ensure that the UKCS will remain competitive."

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Jargon Buster

LOGIC: Leading Oil and Gas Industry Competitiveness
LIFT: Licence Information for Trading
DEAL: Digital Energy Atlas and Library
ITF: The Industry Technology Facilitator

UKCS Oil and Gas Production Set to Increase for Next Three Years

The increased investment levels forecast in the UKOOA survey released today mean that, contrary to previous estimates, production levels in the UK Continental Shelf (UKCS) could potentially rise for the next three years if investment plans for 2001 and beyond are achieved.

Gas production levels could potentially go on increasing until 2005, whilst oil will do so until 2003. Combined production of oil and gas would in this case continue to rise to a peak in 2004. With new exploration potentially

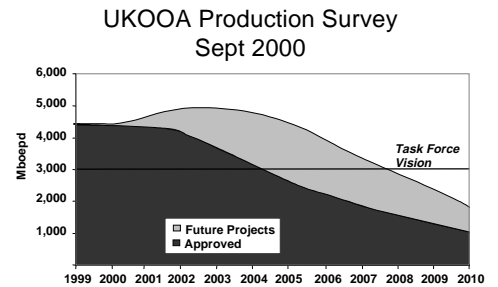


Dave Smith

reducing the rate of the inevitable long-term decline of the UK sector, the UKCS is on course for the PILOT vision of producing 3M barrels of oil equivalent per day (boed) in 2010.

These new production forecasts also mean that the UK's self-sufficiency in oil and gas production can be extended, bringing with it enhanced security of supply.

Dave Smith, UKOOA President, ILT Member and President of Marathon Oil UK, supported the ILT's findings: "There are compelling reasons to invest here. The benefit of the established infrastructure, the UK's fiscal stability, together with the UK's track record, is that it offers investors swifter development times. Although projects in other parts of the world can be more profitable, they can also take longer to provide a return."



Note: Exploration contribution excluded

Sir Ian Wood, CEO Wood Group who co-chairs the ILT, also welcomed the forecast. "We have the latest technology and skills to respond rapidly and efficiently to new projects," he said.

"For example, the UK holds the world record for the fastest subsea tieback to a satellite development. These skills allow us to remain competitive and are the basis of us winning export orders."



New On-line Jobs Service Helps Address Oil and Gas Industry Skills Shortage

Oilcareers.com, an online "shop window" for jobs in the UK offshore oil and gas industry, has been given the green light by



the sector's National Training Organisation (NTO) Group to develop an additional career and training advice service to help address skills shortages in the upstream area.

The exclusive five-year agreement with Oilcareers Limited follows an extensive assessment of potential online recruitment partners by the NTO Group. The

development of a website providing a single "front door" for jobs and training was one of the targets set for the NTO Group by the Government's Oil and Gas Industry Task Force last year. Monitoring of the project now falls under the remit of PILOT.

www.oilcareers.com currently gives job seekers direct free access to company vacancies, and employers the opportunity to advertise these vacancies at low cost. It also allows job candidates to search for vacancies and post their CVs free of charge. The NTO Group will now work with Oilcareers to develop new on-line careers and training advice, which will highlight the skills and qualifications required by the Industry.



Internet "DEAL" Provides Definitive Source for UK Oil and Gas Data

An on-line tool providing public access to a comprehensive library of basic geo-scientific information on the UKCS as well as direct links to data held in repositories all over the world has just been officially launched on the world-wide web.

DEAL (Digital Energy Atlas and Library), at www.ukdeal.co.uk, is a "virtual shop window" offering the definitive catalogue of information relating to offshore exploration and production activities in the UK.

The £900,000 website has been developed by CDA Limited, a subsidiary of UKOOA, in conjunction with the British Geological Survey (BGS). Launched under PILOT, the Government and industry partnership rejuvenating investment and activity in the

offshore oil and gas sector, it has the full support of the Department of Trade and Industry which will increasingly rely on DEAL as its principal means of acquiring and distributing quality-assured data on the province. Its promoters expect DEAL to save the industry millions of pounds a year and will ultimately provide three services:

iDEAL Information Services (available now) providing data on wells, 3D seismic surveys, pipelines and umbilicals, field outlines, coastlines, licenses and international boundaries.

uDEAL Data Market Place (available now) A comprehensive catalogue of UKCS geological and geophysical data products.

eDEAL Unified Data Network (December 2000) The gateway to a network of distributed data repositories allowing companies to store, access, distribute and trade geo-scientific data on an "entitlement" basis.



Malcolm Fleming, CDA Chief Executive, said: "CDA's link with UKOOA is DEAL's strength. DEAL's "owners" - all UKOOA members -

are providing much of the data from source. They will also take responsibility for its updating, which ensures maximum reliability and accuracy. This is especially significant in the light of a recent development whereby DEAL will now become the repository for the data underpinning FishSafe, the electronic underwater hazard warning device for fishermen."

Speaking on behalf of the NTO Group, John Ramsay, Chief Executive of OPITO, said: "This partnership between the NTO Group and Oilcareers is a cost effective solution delivering a key outcome of the Oil and Gas Task Force. The NTO Group considered building it's own recruitment website but have found in Oilcareers a young company with energy and ideas, as well as a focus on the oil and gas industry".

The website has the endorsement of the trade unions. Danny Carrigan, National Officer at the AEEU, said: "The TUC is delighted with this initiative and we believe that it will assist our members in finding employment."

Helen Liddell, Energy Minister and Chair of PILOT, said: "This agreement is very

important. Bringing trainees and small firms together is an investment in the future."

Mrs Liddell continued: "If the Industry is to have a future it will need skills and talented young people. They in turn have to see a bright future for themselves. Oilcareers.com is a firm and positive step in that direction."



Helen Liddell

New Supply Chain Champion

Apologies for an error in the last edition of PILOT Briefing. We omitted to include Stuart Gray of Global Marine in our list of Supply Chain Champions.

Stuart can be contacted on 01224 246 900 or at stuart.gray@glm.com



UK Oil and Gas Operators Investment Plans for 2001 Could Create 25,000 Jobs



The UK's Oil and Gas Operators investment plans for 2001, released today by the Industry Leadership Team (ILT), could have a massive effect on employment in the industry next year, reversing the recent trend of decline, and creating around 25,000 new jobs.

Nearly half of next year's capital expenditure has already been approved, but Industry leaders believe that over £4bn (up from around £3bn in 2000) will be invested in the UK.

The effect of this investment boost would be to protect jobs that might be at risk

without it, whilst creating some 25,000 new ones than would otherwise have been the case. Current activity and investment (which includes operational and exploration investment, in addition to capital expenditure) supports a total of 270,000 jobs in 2000.

ILT member Danny Carrigan, National Officer at the AEEU, said: "It is impossible to overestimate the importance of this investment being realised, just for its effects on employment alone.

"We have been looking at a gloomy situation in this sector over the past couple of years, but now we have some real signs of an upturn and turn around in job prospects."



Mike Salter

Mike Salter, COO, Abbot Group / KCA Drilling, who co-chairs PILOT's National Training Organisation Group, commented: "A big challenge that lies ahead

of us is to retain the key skills that our industry has developed. This is crucial, both to the long-term future of the UKCS and to our ability to win export orders from oil and gas provinces.

"We must make sure that oil and gas companies see the UKCS as a profitable place to invest so that we have the opportunity to retain current jobs and the potential opportunity to create more, the majority of which are in Scotland."

Oil Giants Link up with SME Businesses in Oil and Gas Mentoring Scheme

An innovative scheme to promote greater understanding between companies in the UK offshore oil and gas sector will be officially launched at an industry reception in Aberdeen on 19 October 2000.

The scheme - the Oil and Gas Business to Business Mentoring Initiative - is backed by the DTI and PILOT, the Government and Industry partnership chaired by Energy Minister Helen Liddell. It will help small and medium sized businesses (SMEs) to develop a strategic view of future industry needs while at the same time giving larger organisations a better insight into the issues facing the companies who

provide many of their supplies and services.

Corporate high flyers from ten oil giants, including BP, Shell, Halliburton and Wood Group Engineering, will act as personal mentors to twenty SME businesses across the country, working in close partnerships over an 18-month period to develop ways to better align business strategies and practices. The scheme is believed to be the first of its kind in any industry in the country.

A vibrant SME sector is seen as crucial to the future health of the offshore sector.

It will be largely in these businesses that the new technologies needed to build a competitive and sustainable future for the North Sea will be developed. This initiative is another way for PILOT and DTI to help rejuvenate investment and activity in the UK oil and gas industry.

Commenting on the launch, Geoff Dart, Director of DTI's Oil and Gas Directorate, said: "This ground breaking mentoring initiative will provide real opportunities to break down those perceived barriers to closer working relationships, where little changes in practice can bring significant benefits to all."

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