

UKCS Capital Expenditure Survey 2017

Introduction

A survey of activity relating to oil and gas fields on the UK Continental Shelf (UKCS) and associated infrastructure was conducted in January 2017. The UKCS Stewardship Survey was undertaken by the Oil and Gas Authority (OGA) in succession to the Activity Survey which had been conducted annually by Oil & Gas UK. As with the Activity Survey, the UKCS Stewardship Survey covered operators' intentions to invest in UKCS oil and gas production. It also collected information on outturn and projected operating and decommissioning costs, exploration and appraisal activity and oil and gas production. This note is restricted to development capital expenditure in the period up to 2021.

Summary of results

The survey indicates total development capital expenditure (i.e. excluding expenditure on exploration, appraisal and decommissioning) relating to fields, pipelines and terminals of some £8.4 billion in 2016, significantly lower than the OGA's central estimate of £10 billion published in March 2016. The survey also indicates outturn development capital expenditure of £11.3 billion in 2015, slightly down on the previous estimate of £11.6 billion which was based on the Activity Survey run in late 2015.

Operators' expectations of future capital expenditure, summarised in Table 1 and Chart 1 below, suggest that expenditure will fall in 2017 and subsequent years. Much uncertainty applies to such projections but the OGA's central estimates are for spend of £7 billion in 2017, £6 billion in 2018 and £5 billion in 2019 (all in 2016 prices).

Capital expenditure plans by category

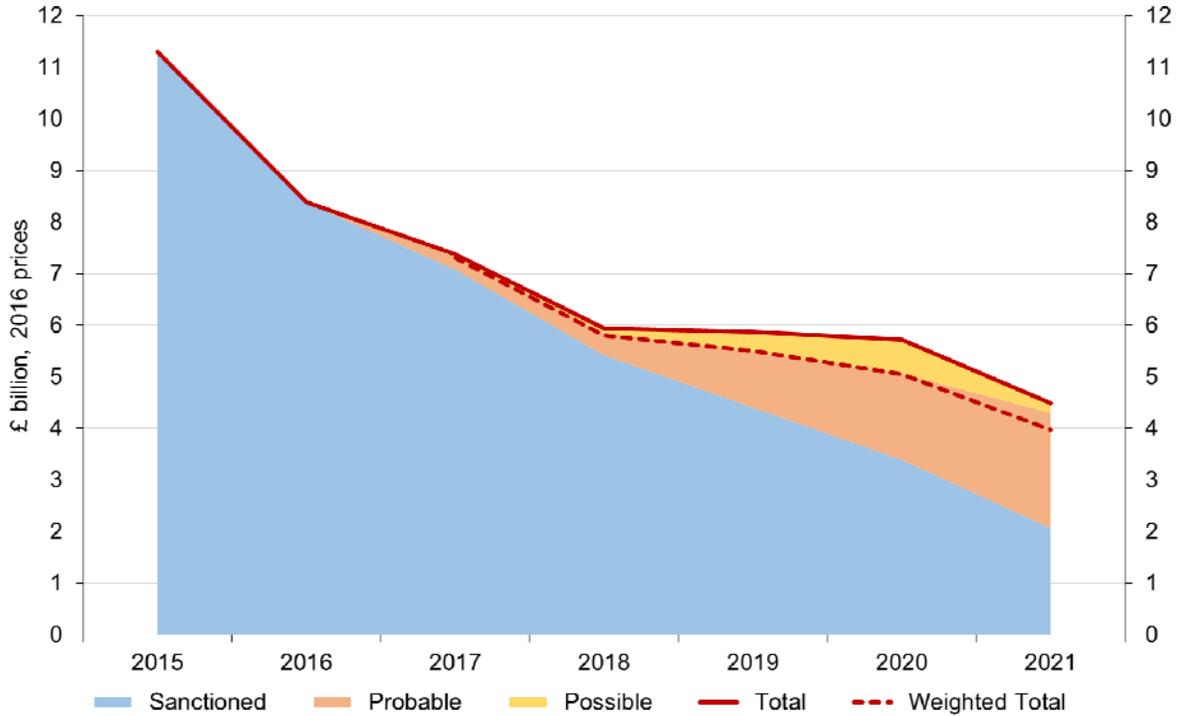
Operators were asked to report their investment intentions for all oil and gas field developments and projects where development data were available. Each field or project that was not already sanctioned was assigned a probability of proceeding. Sanctioned projects had a probability of 100 per cent of proceeding; probable projects has probabilities of 50 per cent or more but less than 100 per cent; and possible projects had a probability of less than 50 per cent. 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 UKCS development capital expenditure plans by category

(£ billion, 2016 prices)	Sanctioned plus				Weighted	
	Sanctioned	Probable	Probable	Possible	Total	Total
2017	7.1	0.2	7.3	0.0	7.4	7.3
2018	5.4	0.4	5.9	0.1	5.9	5.8
2019	4.4	1.1	5.5	0.4	5.9	5.5
2020	3.4	1.7	5.1	0.7	5.7	5.0
2021	2.1	2.2	4.3	0.2	4.5	4.0
Total for 2017–2021	22.4	5.7	28.0	1.4	29.4	27.6

The survey indicates low levels of as-yet-unsanctioned development capital expenditure, especially in the next three years. It is extremely unlikely that all of the (limited) spend on 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.

Chart 1: Total UKCS development capital expenditure plans by category



Compared with the Activity Survey conducted in late 2015, the latest survey indicates operators' intentions over the next years are for lower development capital expenditure but with a higher share of sanctioned spend and lower shares for both probable and possible spend.

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