Aberdeen & Grampian Chamber of Commerce

# Oil and Gas Survey

32nd Survey: November 2020

Aberdeen & Grampian Chamber of Commerce

UNIVERSITY of STRATHCLYDE
FRASER OF ALLANDER INSTITUTE

KPMG

# Survey context

It’s around eight months since the World Health Organisation declared a global pandemic ushering in the largest upheaval to our day-to-day lives in over 70 years.

The ensuing economic crisis has been severe: the Scottish economy shrunk by nearly a fifth between April and June, and despite recovery during the summer months, remains almost 10% smaller than it was before the crisis.

Unemployment is likely to rise sharply with a significant number of redundancies in the pipeline as we look ahead to early next year.

The oil and gas industry has been badly hit by the slump in demand and restrictions caused by the pandemic and associated lockdown, with the number of offshore workers decreasing significantly during the lockdown months.

There has been some recovery in numbers that mirrors the wider economic recovery we have seen in the Scottish economy over the summer. As ever, the sector has proved resilient, adapting to new ways of working , to ensure preventative measures are in place to increase operations and secure more jobs in the short term.

However, the global conditions remain difficult. The likely continued suppression of global energy demand is likely to curtail the ability of the industry to increase employment in the medium term, as countries across the world introduce fresh restrictions to halt the spread of the virus.

The extension to the furlough scheme by the UK Government is a welcome relief to many in the industry as they look ahead to the next few difficult months: this will support companies through and help to protect jobs in the short term.

**Mairi Spowage**
*Deputy director*
*Fraser of Allander Institute*

# Contents

# Sponsor's foreword

In November 2019, the 31st Oil & Gas Survey reported a return to some degree of optimism and confidence in the industry. While there had been many casualties and the climate remained uneasy, it appeared the region had survived the worst of the 2015 oil price collapse, with light at the end of the tunnel.

One year later and there's a sense of deja vu. From the significant oil price decline, which started earlier in the year, to a global pandemic, and localised lockdown in Aberdeen, the oil and gas industry has, once again, endured profound challenge and uncertainty.

With those thoughts in mind, the findings of the 32nd Oil & Gas Survey, produced by the Aberdeen & Grampian Chamber of Commerce, and sponsored by KPMG UK, should not come as a surprise to many. 82 percent of respondents told us they anticipate a decline in revenue over the next year, with only 13 percent of contractors telling us they're currently working at or above optimum levels in the UKCS.

Oil and gas contractors operating in Scotland are well used to managing risk and dealing with profound challenges and instability. This year, many were already taking measures to ensure they were cushioned from any potential impact of Brexit, but the arrival of COVID-19 created a new raft of obstacles for an industry already under siege.

We've heard a lot about the long-term economic impact of coronavirus, and with around a third of respondents telling us it's forced them to postpone projects, and almost a quarter completely cancelling projects, it's clear the oil and gas sector isn't immune from the huge impact the global pandemic is having.

However, there is room for some optimism. The industry – unlike so many others – is incredibly resilient and frequently deals with instability and challenge. 93 percent of contractors told us they'd implemented working from home policies, with eleven percent reducing office space and property portfolios. 64 percent took advantage of the Job Retention Scheme, with 30 percent deferring creditor payments, 9 percent accessing loan schemes and 6 percent taking business grants.

Climate change and diversification – once seen as a threat to the industry – also offers new opportunities, and our findings suggest the sector is starting to embrace change.

Back in 2018, the Oil & Gas Survey began exploring the theme of diversification. Then, almost half of contractors told us 100 percent of their business was focused on oil and gas. Now, that figure has declined to 38 percent, with only a quarter telling us they believe oil and gas will be their only area of focus by 2025. Meanwhile, 21 percent now have interests in offshore wind and renewables – with a almost three quarters believing they'll have some involvement in the renewables space in the next three to five years.

As technology and innovation improve, driving down the cost barrier and driving up the return on investment, we can expect to see further moves into new greener spaces as the industry goes through a slow, but steady transformation.

COVID-19, global uncertainty and a renewed push for climate action is impacting us all, but I believe the oil and gas industry has done as much as it can to mitigate any short-term damage and focus on long-term survival and sustainable growth as its diversification into green energy activities continues.

**Martin Findlay**
*senior partner*
*KPMG Aberdeen*

# Chamber viewpoint

Welcome to the 32nd edition of the Aberdeen & Grampian Chamber of Commerce Oil and Gas survey, conducted in partnership with KPMG and supported by the Fraser of Allander Institute.

In this survey, in addition to our regular review of industry sentiment and activity, we aimed to explore the continuing impact of COVID-19 on the industry and on future planning, while seeking to further examine key industry challenges such as the energy transition and Brexit.

When it comes to business confidence and activity, the results of the survey are just one stark illustration of the economic turmoil which has resulted from the COVID-19 pandemic. Over the course of this year we have seen drastic and unpredictable disruption to business globally due to COVID-19. At the same time, firms in the energy sector have also been facing the challenges of a collapse in oil and gas prices. The net balance of -76% in business confidence highlights the level of concern among contractors with continued low levels of optimism for the year ahead.

The challenges faced over the past year are also reflected in the reduced level of reported activity in production and exploration related work. The net balance reported for production related activity has dropped significantly, falling from +43% in 2019 to -47% in this latest survey.

As expected with this reduced level of activity, employment has suffered over the course of the year with 48% of contractors reporting a decline in their workforce, 22% of which are reporting reductions by more than 10% of their workforce. The impact of COVID-19 on employment is evident in data with 83% of contractors resorting to furloughing employees and 39% being forced to make compulsory redundancies.

It's positive to see an increase in the proportion of firms actively seeking to diversify their operations outwith oil and gas, rising to 49% in this survey compared to 25% reported a year ago. It is interesting to see the impact that COVID-19 has had on this process, with 57% reportedly considering accelerating their plans in response. These ambitions for diversification are also reflected in our finding that contractors are predicting that 70% of their activity will be in oil and gas, on average, by 2025. This is a declining trend and is the lowest figure we have reported since introducing this question into the survey.

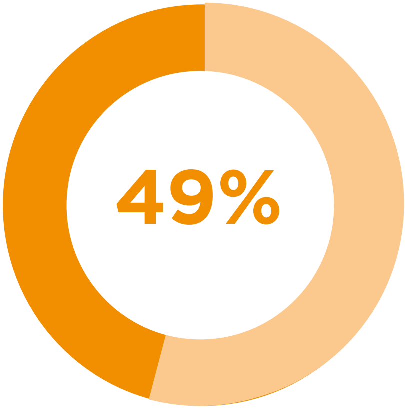
Only a short time since the last major downturn, the sector's resilience is once again being tested. Our research illustrates the significant challenges firms have grappled with during a difficult year, but it also shows accelerated ambitions across the supply chain to diversify and play a leading role in the energy transition.

While the immediate outlook remains uncertain, government has a key role to play in ensuring that the industry is able to lead from a position of strength. The delivery of a place-focused North Sea Transition Deal which crystallises the sector's role in reaching shared net-zero targets, the development of dedicated transition training funding accessible to both businesses and individuals and coming together in the short-term to support the supply chain must be our core priorities.

In the months ahead, the Chamber will be advocating that we must work in partnership to support the industry to seize on the accelerated ambitions showcased here, by building a pathway to ensure that the oil and gas industry, and the skills and talent in the communities that power it, act as key contributors in the drive to reach net-zero.

**Shane Taylor**
*research and policy manager*
*Aberdeen & Grampian Chamber of Commerce*

## Key findings




**49%** of firms cited concerns about lack of experience and skills within their organisation as a barrier to diversification

**69%** of contractors expect to be involved in renewables in the next three to five years

13%

of contractors report working at or above optimum levels in the UKCS compared to 47% a year ago

-1.41%

Contractors reported an average change in pay of **-1.41%** in the past year

82%

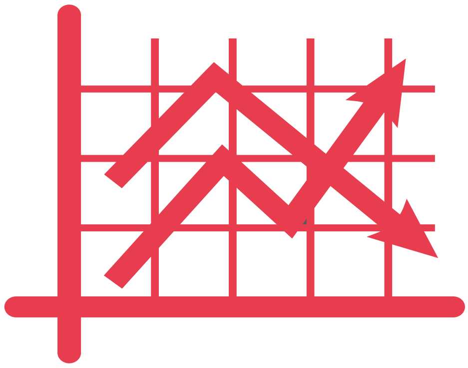
of contractors expect a decrease in revenue in 2020

25%

By 2025, just **25%** of contractors expect 100% of their activity to be in oil and gas

# 49%

of firms are actively diversifying into non-oil and gas work, compared to 25% a year ago



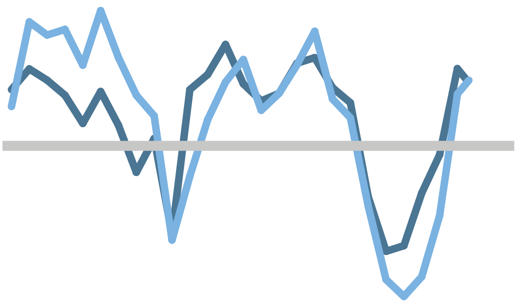
**23%** of contractors report being 'not at all optimistic' about the future of Aberdeen as an oil and gas / energy hub

## Contractors vacancy rate:

# 0.93 per 100 jobs

# 48%

of contractors reduced employment (FTE) over the past year while 15% reported increasing their workforce



**Contractors' confidence in the UKCS** has declined drastically with a net balance of **-76%** compared to **+46%** a year ago

# 83%

**83%** of contractors furloughed employees in 2020, affecting **35%** of the workforce on average

# Business optimism

# United Kingdom Continental Shelf

In 2019 we reported that many of the key trends in the survey were returning to more sustainable levels and it had appeared that the oil and gas sector in the UK had weathered the storm from the 2015 oil price collapse with Brent prices sitting around the $60 level throughout 2019 with highs of $74. At the beginning of March 2020, the World Health Organization (WHO) declared the spread of COVID-19 as a pandemic and oil prices dropped rapidly falling below $20 in April. In June prices climbed back up to around the $40 mark and have remained close to this level to date.

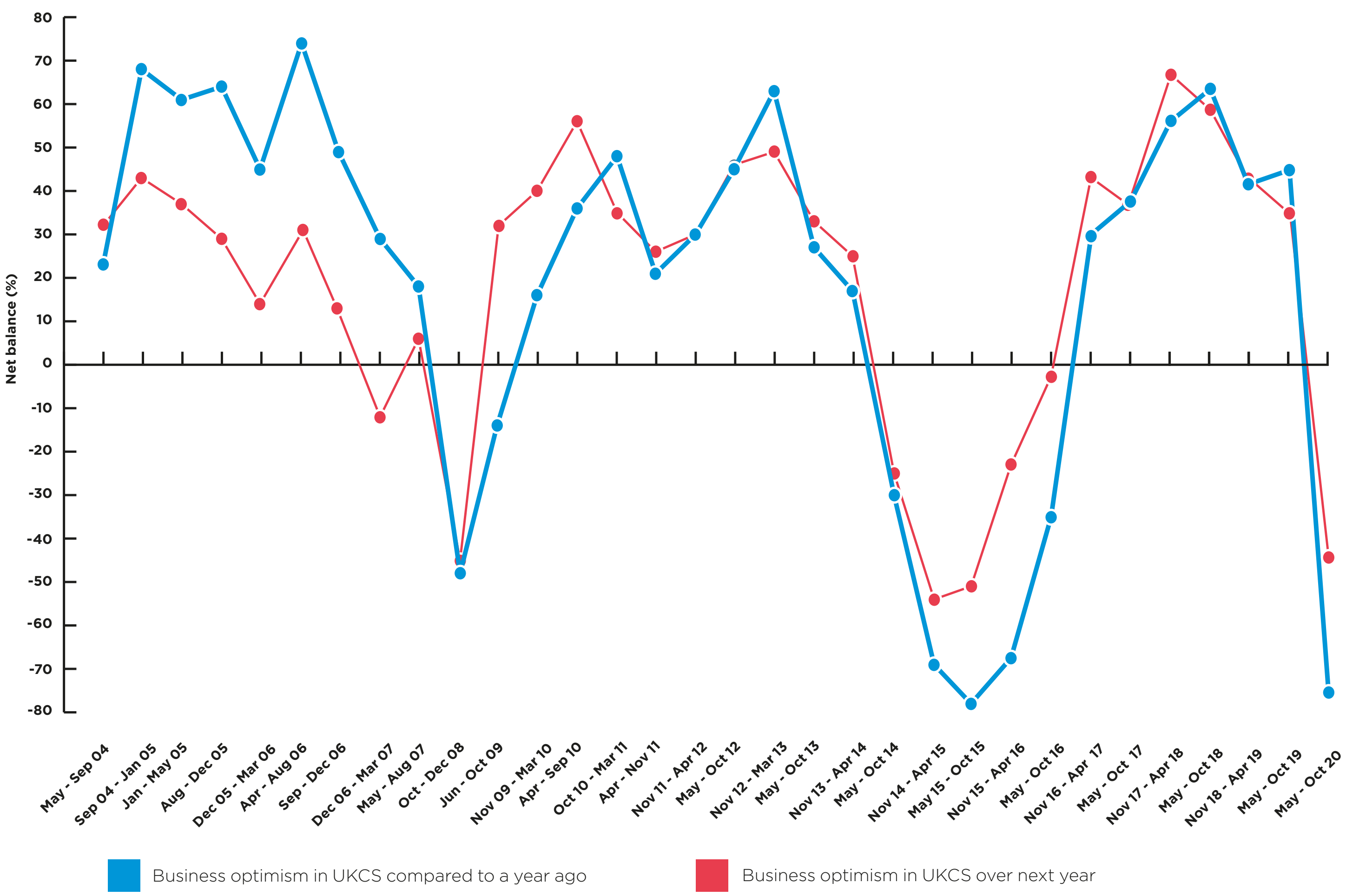
Given the current climate and uncertainty, it is unsurprising to report significant drops in business confidence among contractors, recording similar levels to those reported in 2015 following the previous oil price downturn. During the current survey period – the six months to October 2020 – more than three-quarters (78%) were less confident about their activities, while only 1% were more confident. The net balance of -76%[1] showed that contractors' confidence in their current UKCS activity was down from the +46% recorded a year ago and has fallen significantly below the 10 years average net balance of +15%.

The net balance is the proportion of respondents reporting a rise minus those reporting a fall, therefore a positive net balance indicates an overall increase while a negative net balance indicates an overall decline.

Looking a year ahead 58% of contractors expect the outlook to worsen and only 14% are confident that the situation will improve, resulting in a net balance of -43%.

Licensees and operators also report similarly low confidence levels for both the current situation and looking to the year ahead.

**Figure 1 - Contractors: business confidence in UKCS (net balances)**




Percentages may not sum due to rounding

# International

**Confidence surrounding international activity levels is similar to the domestic picture. Contractors typically report higher levels of optimism about their international activities compared to their domestic activities and, while this remains the case, this survey marks the lowest recorded levels of confidence in international markets in the history of this survey. Firms, on balance, report and expect negative trends for both actual and expected optimism over the coming 12 months.**

Over the past 12 months optimism in the international oil and gas sector decreased for almost three-quarters of contractors (70%) with 48% forecasting a further decline for the year ahead.

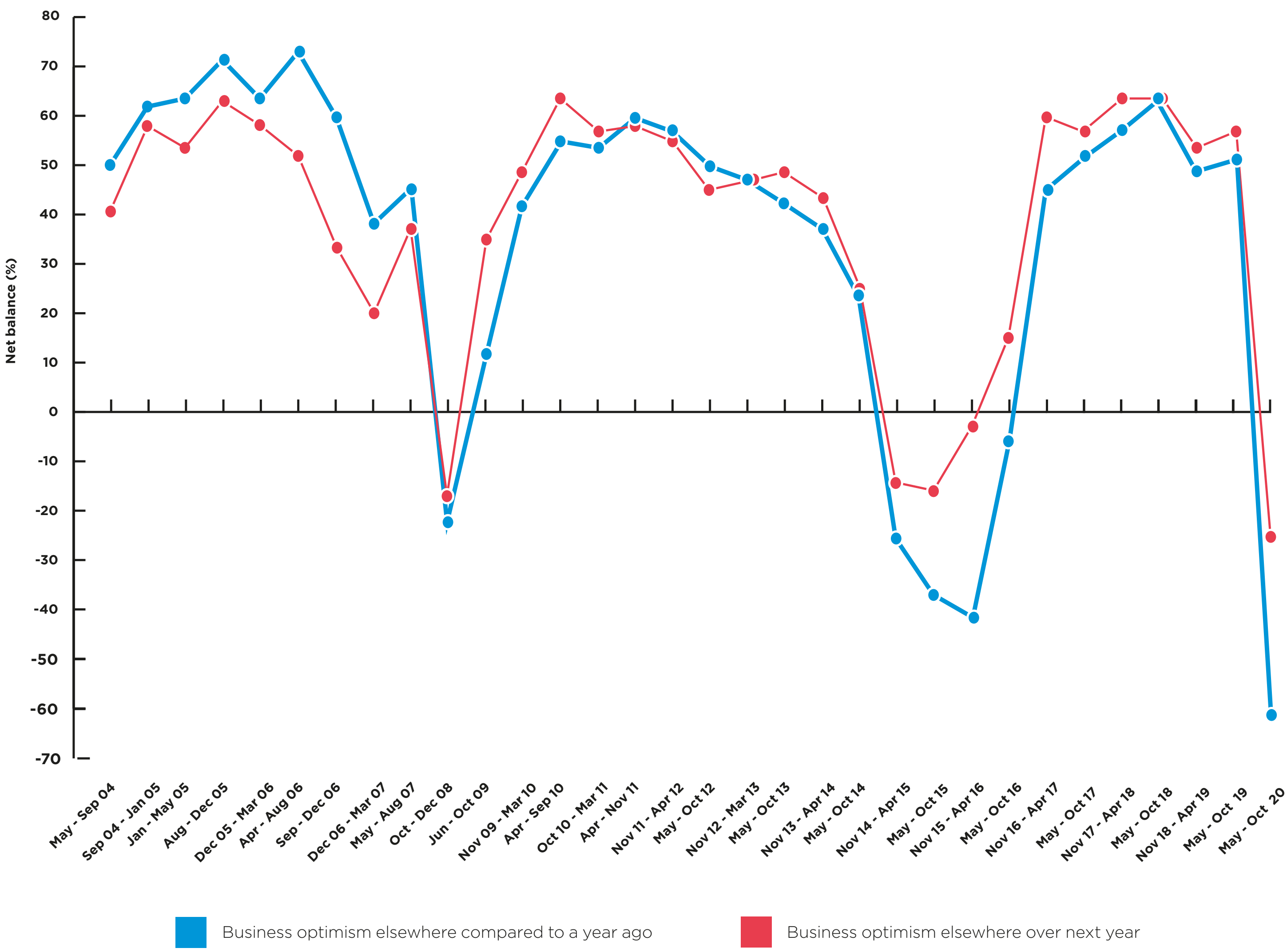
The net balance of -61% in contractors' current international activities is down significantly from +51% a year ago. A net of -26% over the coming 12-month period shows that contractors expect this downward trend to continue over the year ahead.

Similar to the trends in UKCS activity, licensees and operators recorded and expect a decline in optimism around the oil and gas industry outside of the UKCS.

**For many Scottish energy firms, international activity has previously enabled them to spread risk and seek growth opportunities in new markets. Our latest findings suggest that's possibly becoming a less viable option, meaning some may need to radically re-think their medium and longer-term strategies for growth and their historical reliance on geographically mobile employees.**

**KPMG viewpoint**

**Figure 2: Contractors - business confidence in international markets (net balances)**



# Trends in business activity

# Trends in business activity

**Moving from confidence to the specific activities of firms in this year and over future periods. Firstly, firms were asked questions concerning the actual and expected value of their organisation's work in the UKCS in production related work, decommissioning work and exploration activities (see Figures 3 and 4). Secondly, they are asked the same questions regarding their international activities.**

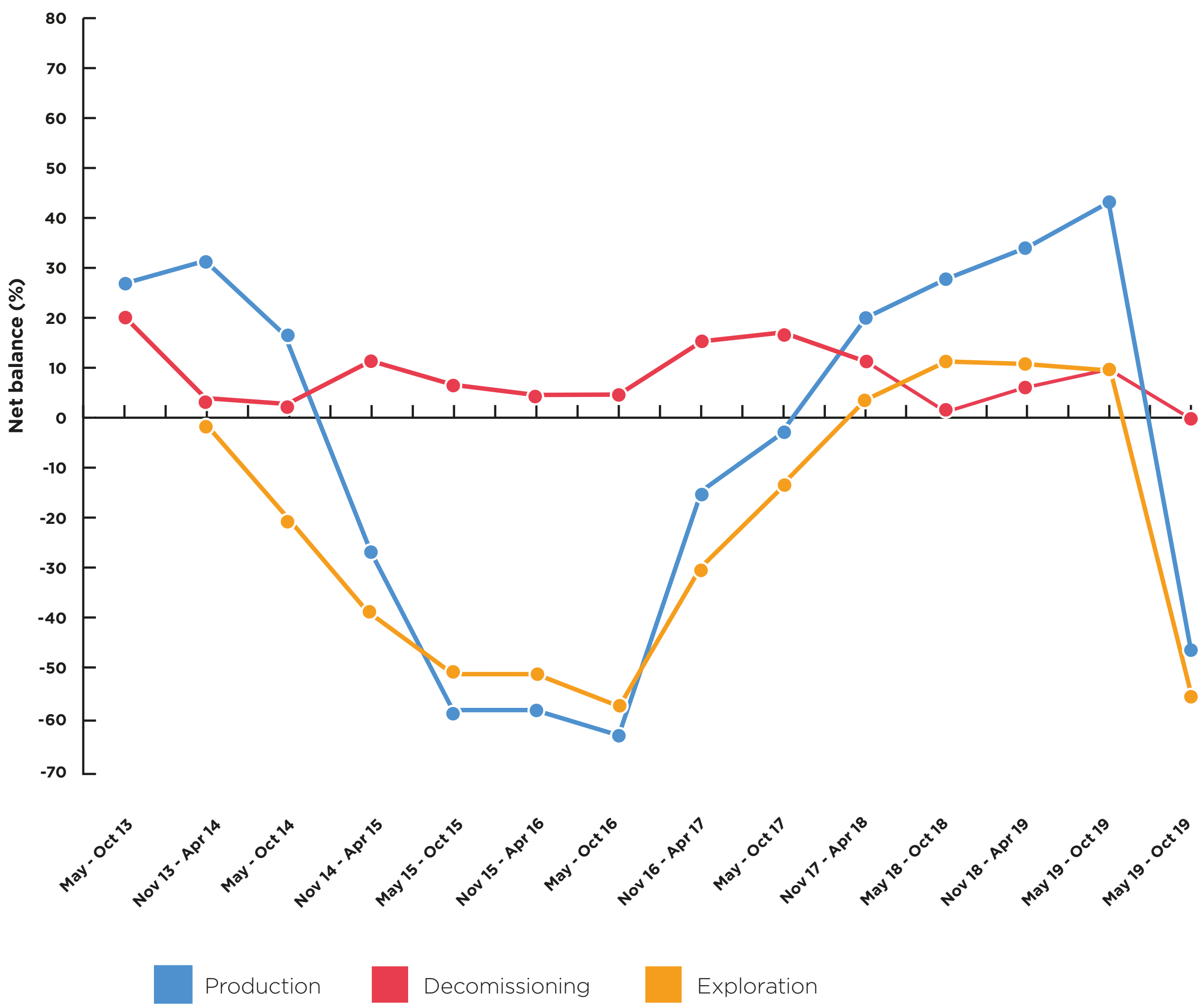
## Production related activity

Through 2015 until the first half of 2017, contractors consistently reported net negative trends in the value of production-related work in the UKCS. However, this trend had been improving since and in the previous survey the net balance rose further to a net balance of +43% of contractors reporting an increase. This trend has now reversed with only 10% reporting a rise in production-related work and 57% reporting a decline (a net balance of -47%). This sharp decline is anticipated to ease over the next year although remaining in negative territory, rising to a net balance of -3% indicating a further overall decline, compared to the net balance of +46% that had been expecting a rise in 2020 when asked a year ago.

Turning now to the value of production work outside the UKCS, 45% of contractors reported a decline and 14% reported an increase – resulting in a net balance of -31% which is down from the previous balance of +45% reported a year ago.

Licensees/operators similarly reported low levels of activity for the last twelve months however are anticipating a rise in activity over the next twelve months. With regard to the value of international production work, licensees/operators reported a decline in activity over the past year with further expectations of declining activity for the year ahead.

### Figure 3 - Contractors - trends in UKCS activity in the last 12 months - net balances



## Decommissioning related activity

Due to the nature of the oil and gas industry in the UK, decommissioning is increasingly taking its place alongside exploration and production activity and the trend (see Figure 3) has remained relatively stable since introducing this question in 2013. However, this latest survey has recorded the lowest net balance (0%) for decommissioning-related work since the beginning of the survey. Decommissioning activity was not relevant for 42% of contracting firms and of the remainder, 17% reported an increase in the value of the work and 17% reported a fall. Decommissioning activity is set to increase during the coming year with 34% of contractors expecting an increase in the value of UKCS decommissioning work and 13% forecasting a decline in the value of such work.

A net balance of +13% of firms from the previous survey had expected a rise in international decommissioning-related activity though the changes in the operating environment resulted in an actual outturn of -9%. Over the course of the next year a net of plus 15% anticipate a further increase.

## Exploration related activity

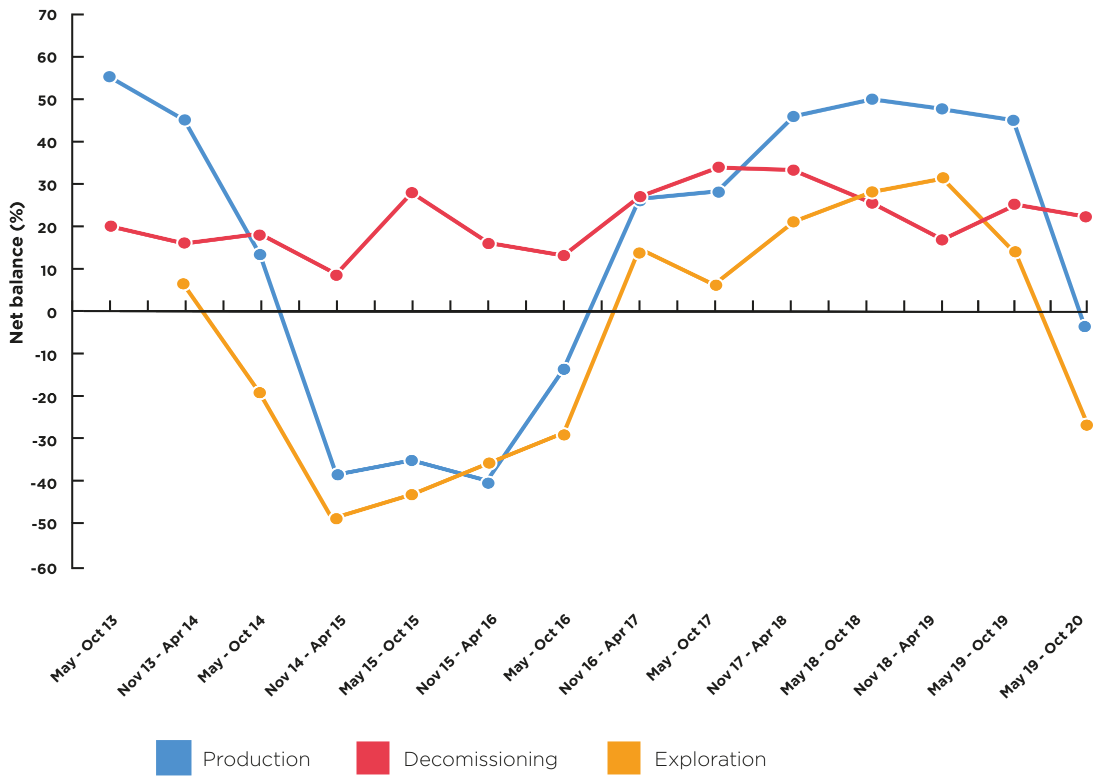
The trend in the value of UKCS exploration-related work amongst contractors was negative from 2014 through to 2017, dipping to its lowest point in autumn 2016. Since then it had remained positive, recording +9% in the previous survey. In the latest survey this has dropped dramatically to -55% with this trend expected to continue to decline with a net balance of -27% forecasted over the coming 12 months in the value of UKCS exploration activity.

Similarly, the value of international exploration work was, on balance, negative since spring 2015 but turned positive in Spring 2018. The previous survey saw a net balance of +25% of contractors recording an increase in international exploration however this has now declined to -40% with continued expectations of a decline over the next year (-11%).

Licensees/operators also recorded a decline in the trend in the value of UKCS exploration work compared to the previous survey however a net balance expect a rise over the next year.

The trend in total international exploration work for licensees/operators also declined and firms are anticipating a further decline in overseas exploration work during the coming 12-month period.

**Figure 4 - Contractors - scheduled/expected trends in UKCS activity in the next 12 months - net balances**



# Trends in business activity

## Activity levels

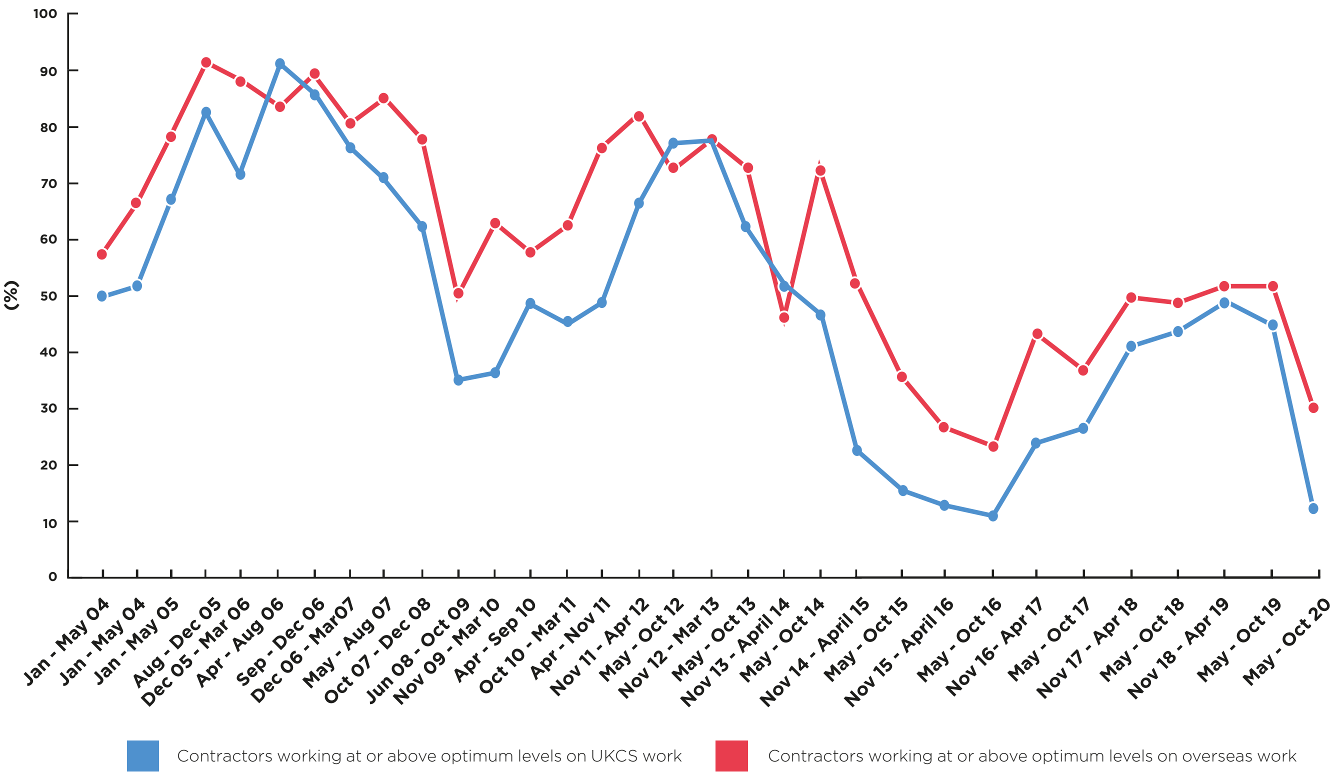
**Figure 5** illustrates the percentage of contractors working at or above optimum levels over the period since the survey started in 2004.

The share of contractors working at, or above, optimum levels in their UKCS operations peaked at 79% in the spring of 2013, it declined steadily over the three years until the May-October 2016 survey when it stood at 12% (the lowest figure since the survey began). Since then it has been rising steadily and was recorded at 47% in the previous survey.

In this latest survey this figure has declined significantly to 13% reporting working at, or above optimum levels in their UKCS operations, similar to the low levels reported in 2016.

Since 2014 contractors have consistently reported stronger activity in their overseas portfolios compared to their UKCS portfolios. Once again this is evident in this latest survey with 30% of contractor firms involved in overseas work working at or above optimum levels.

**Figure 5 - Percentage of contractors reporting working at or above optimum levels**




## Business trends

The survey questioned firms about trends in production, exploration and decommissioning both in the UKCS and in international markets. We also enquired about firms' expectations of involvement in specific activities over the medium term (defined in the survey as the next three to five years). The survey asks firms about their activities in decommissioning, renewables, unconventional oil and gas extraction and carbon capture.

Figure 6 shows a slight decline in contractors' expectations of involvement in decommissioning activity over the medium term, however the vast majority continue to report potential involvement. In the previous survey, a total of 86% reported that they were "definitely" or "possibly" likely to be more involved in decommissioning and now, in this latest survey this has fallen to 74%. We find:

• 37% (greater than the 27% in the previous survey) reported they would definitely be more involved in decommissioning;

• 38% (58% in the previous survey) reported they would possibly be more involved in decommissioning

Turning now to renewables, this latest survey has shown an upswing in the proportion of contractors indicating that they will definitely/possibly become more involved in UKCS renewables work over the next three to five years. The proportion jumped from 52% to 61% in the previous survey, which was the highest proportion since autumn 2016. This has now risen further to 69% with more than one third of firms (34%) foreseeing a definite involvement – the highest figure since the question was introduced in autumn 2015. Involvement in UKCS renewables activity also appears to be of greater interest to licensees/operators compared to the previous survey.

The proportion of contractors (53%) expecting to either definitely (10%) or possibly (43%) be involved in UKCS unconventional oil and gas activity in the medium term remains relatively unchanged from the 55% reported in the last survey, however is declining over time and has fallen from the 68% recorded in 2018.

With respect to unconventional activities outside of the UK, 56% of contractors (55% in the previous survey) acknowledge the possibility that their firm could be more involved during the next three to five years, however this is also down from the 67% reporting potential involvement in 2019.

In the last survey we introduced a new question asking firms what their expected involvement in carbon capture and storage activity would be over the same timeframe. Almost half of contractors (49%) expect to be involved in carbon capture and storage activity in the medium term, compared to 43% a year ago. The majority of licensees / operators also expect some involvement.

Figure 6 - Contractors – involvement in decommissioning activity in the next three to five years

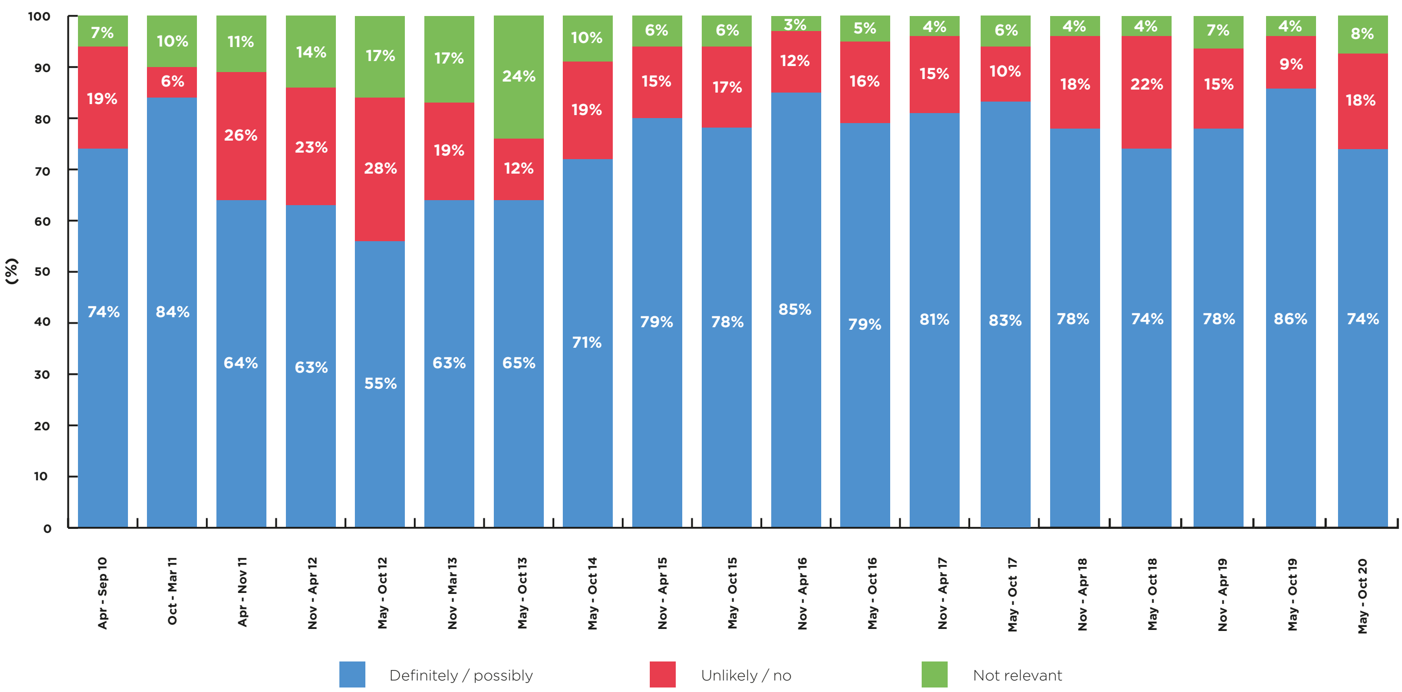
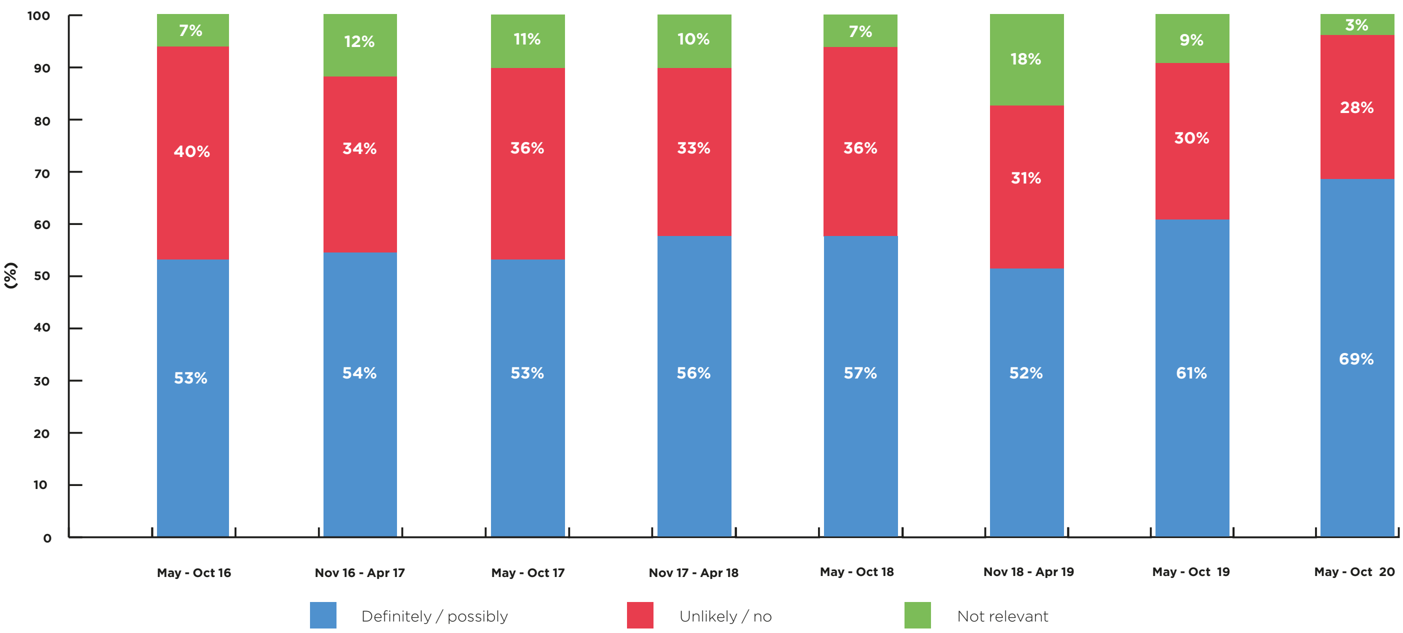



Figure 7: Contractors - involvement in renewables in the next three to five years



# Employment

## Employment changes

In its Economic Report 2019, OGUK estimated that direct and indirect employment by the oil and gas industry across the UK would be around 150,000 in 2019. The figure includes those directly employed by oil and gas companies and major contractors as well as those from the wider supply chain. The COVID-19 pandemic and reduced oil demand is expected to have a significant impact on employment within the sector with OGUK predicting a loss of up to 30,000 jobs. This survey draws on responses for oil and gas operators and contractors who currently employ more than 22,600 employees in the UK.

We sought information on the current UK-based workforce for each firm, asking what has happened and what they expect to happen to their UK workforce (FTEs). We find that 26% of contractors reduced their workforce by up to 10% and 22% have reduced their workforce by more than 10%. In the 2019 survey 27% of contractors increased their total workforce by more than 10%, now in this latest survey this has fallen to 7%.

In this survey 15% of contractors increased their employment (FTEs) levels over the past year and (compared to 54% previously) and 34% (similar to 32% in the last survey) reported no change while 48% (12% in the last survey) reported decreasing their workforce which is significantly more than the 3% who expected to reduce their workforce during 2020 when asked in 2019. During 2021, 24% expect to increase their workforce and 21% expect to reduce their workforce, resulting in a net balance of +3%. In 2021, 10% of contractors expect their total workforce to increase by more than 10%.

**Figure 8: Contractors - employment trends, 2004 to expected 2021 (net balances)**

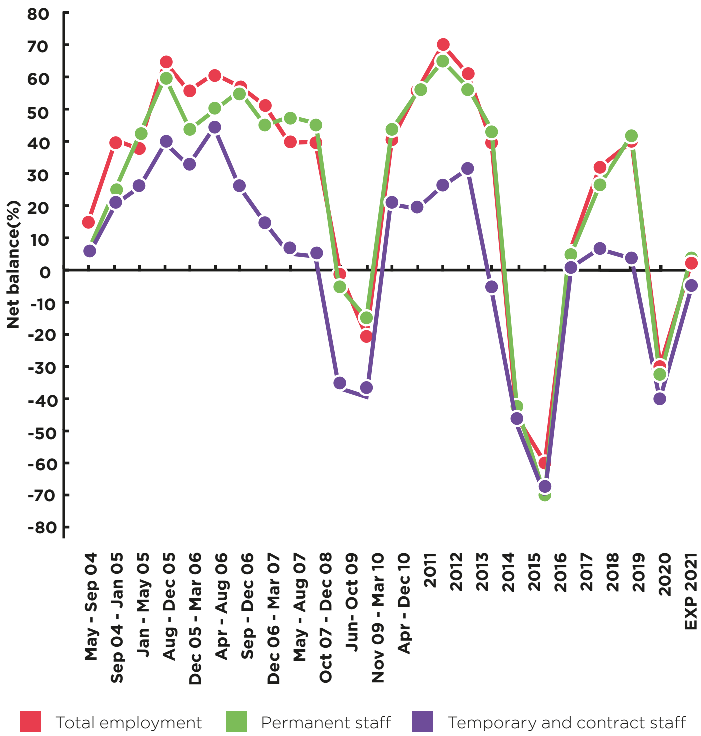
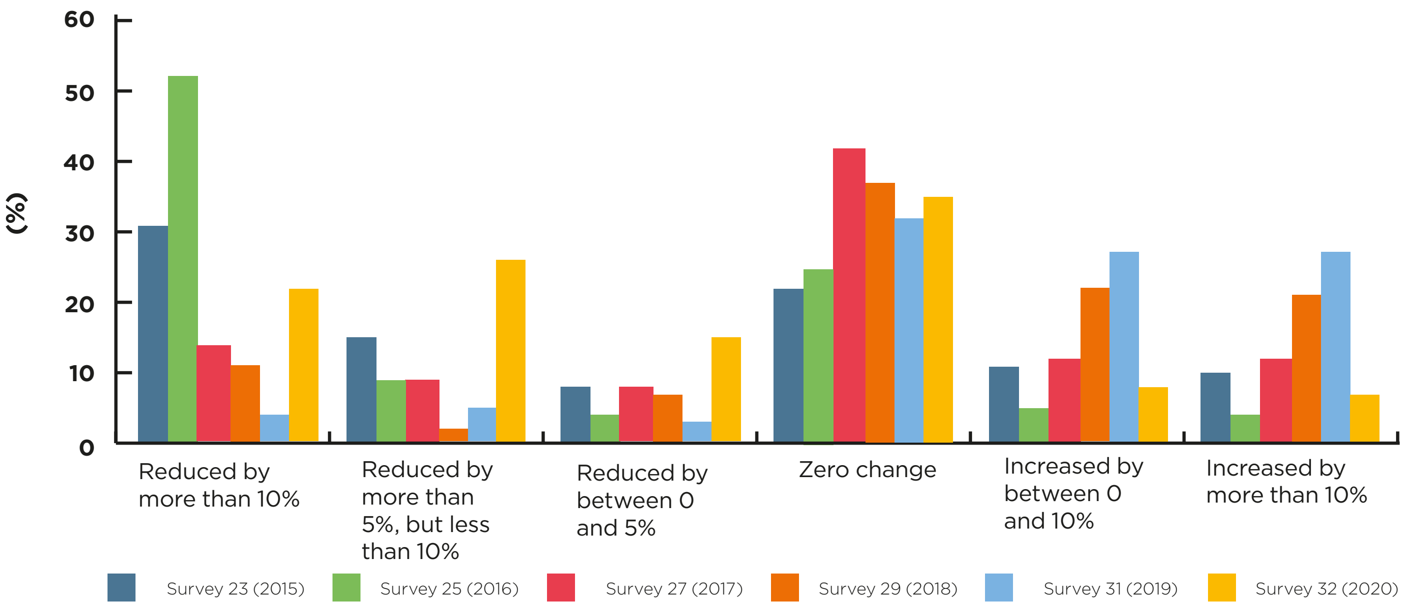



**Figure 9: Contractors - change in UK workforce in last 12 months**




## Vacancies

Since 2014 we have asked firms for the number of current vacancies within their organisation across the UK.

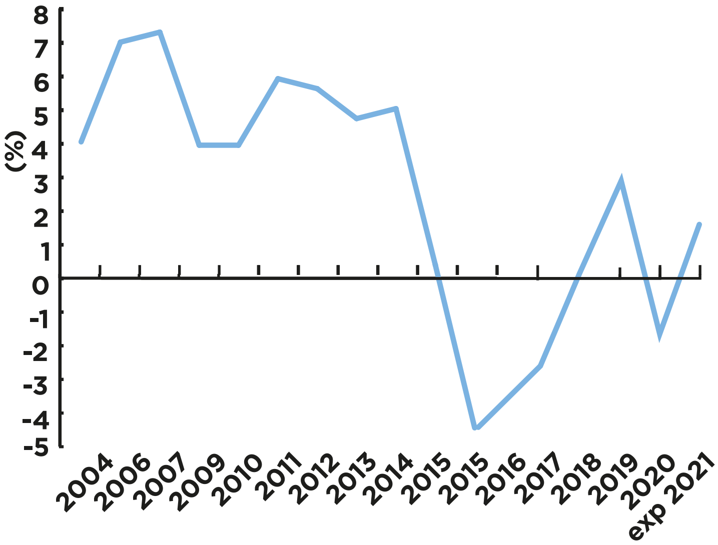
In this latest survey we find the vacancy rate (i.e. vacancies per 100 jobs) for operators/licensees decreased over the last year and stands at 1.01 compared to 1.38 a year ago. The vacancy rate for contractors remains unchanged and stands at 0.93.

## Remuneration

The recent trends in mean pay changes between 2004 and 2020, shown in Figure 10[2], correlate with the pattern of demand for staff over this period. It is not surprising therefore that firms are reporting a reduction in pay in 2020. The average change in pay in the last year for firms was -1.17%. Contractors reported an average change of -1.41%.

Almost half of firms (48%) made changes to pay during the last year, with 30% expecting to make changes next year. It is positive to note that the expected change to pay over the year ahead for is +1.33%. Contractors are anticipating an average change of +1.4%.

**Figure 10[2]: Contractors - average annual pay change 2004 - exp 2021**




## Impact of COVID-19 on employment

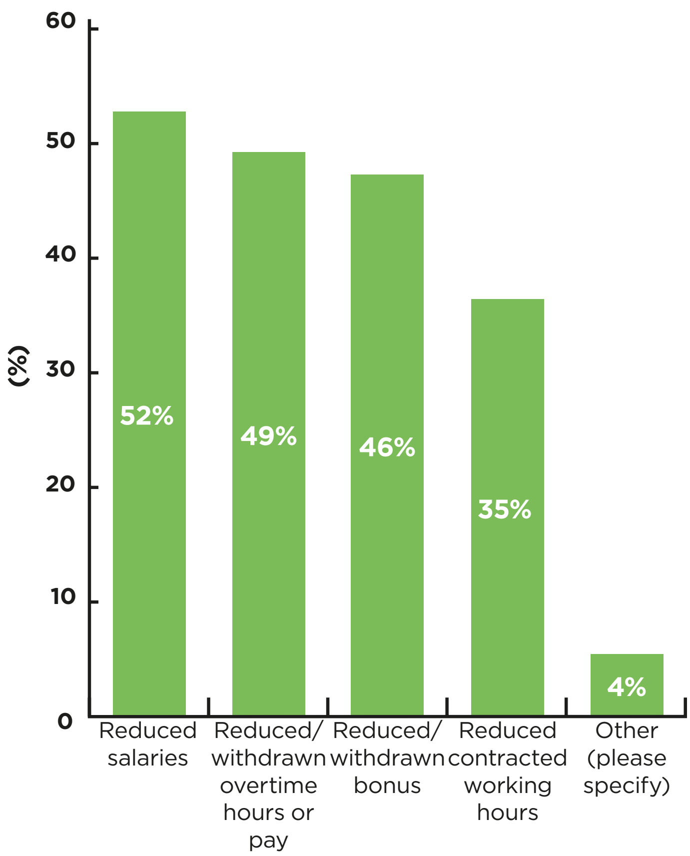
COVID-19 has caused significant disruption to normal operations of businesses across the UK and this has subsequently impacted employment. As of September 2020, a total of 9.6 million jobs had been furloughed in the UK by 1.2 million employers[3], and redundancies now stand at the highest number since 2009.

We asked firms if they had implemented any furlough or redundancy measures in 2020, and what proportion of the workforce had been impacted since lockdown began in March.

- The majority of contractors (83%) had furloughed employees, affecting 35% of the company's workforce on average;
- while 39% had carried out compulsory redundancies, affecting 12% of employees;
- and 23% had implemented voluntary redundancies, impacting 5% of the workforce.

We also asked in there had been any other changes to the terms and conditions of employment within their organisation this year. Around three quarters of contractors (76%) reported making some changes to terms of employment. Of those contractors who had made changes, more than half of contractors (52%) reported reducing salaries, 49% reported reduced or withdrawn overtime hours or pay, 46% reported reduced or withdrawn bonuses, and more than a third (35%) have reduced their employees contracted working hours.

**Figure 11: Contractors - changes to terms of employment**




[2]Please note that the methodology for this analysis was changed in this survey

[3]Figures reported by HMRC and represent claims made via the Coronavirus Job Retention Scheme

# Current industry challenges


> The industry – unlike so many others – is incredibly resilient and frequently deals with instability and challenge. The findings suggest the industry acted swiftly, exploiting support measures in place and adopting an agile approach with its resources. COVID-19 is still impacting us all, but I believe the oil and gas industry has done as much as it can to mitigate the damage the pandemic has created.

**KPMG viewpoint**

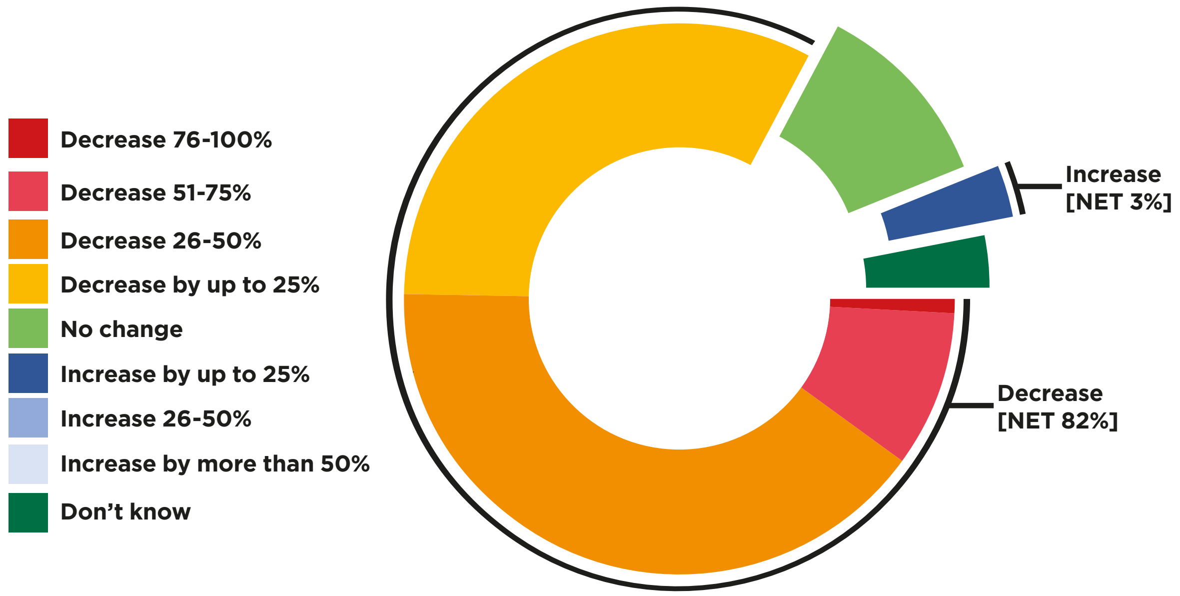
# Impact of COVID-19 on operations

**When asked what measures firms had taken as a result of COVID-19, 37% of contractors reported temporarily reducing their operations with 8% reporting temporarily ceasing all operations. Around a third (34%) reported postponing projects, while only 23% had cancelled projects. Conversely, when asked what firms had experienced as a result of COVID-19, 95% of contractors had been affected by postponed projects and 83% had seen projects being cancelled.**

The vast majority of contractors (93%) implemented working from home for their employees and 11% reported reducing their number of offices or properties. A small proportion of firms (16%) reported delaying payments to their suppliers and 12% changed the terms of supplier contracts. When asked what firms had experienced themselves, almost two-thirds (60%) of contractors had experienced late payment of invoices and 52% had experienced changes to agreed terms of contracts. Almost half (45%) had taken on additional costs to enable them to fulfil the terms of their existing contracts.

Firms are expecting their revenue in 2020 will be negatively impacted by COVID-19 with 82% of contractors expecting a decrease compared to original forecasts, with 10% expecting a decrease by more than 50% of projected income.

**Figure 12: Contractors - expected change in forecast revenue for 2020**



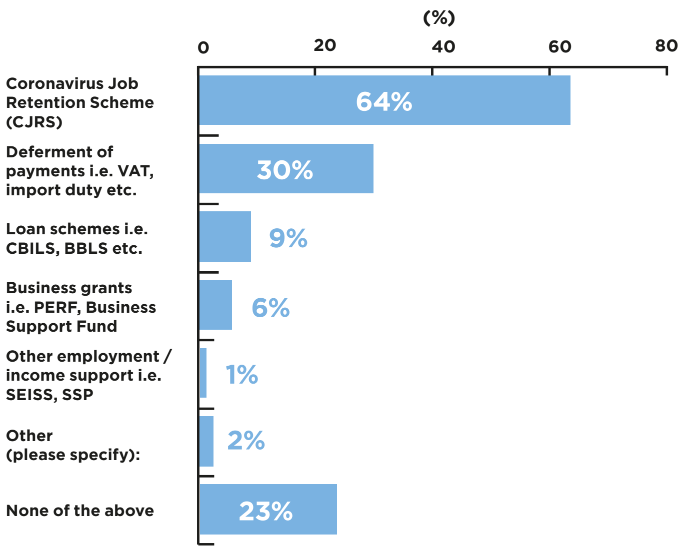

## COVID-19 Support

**In response to COVID-19, the UK Government introduced various support mechanisms to support businesses following the impact of the pandemic.**

The most commonly used government support scheme by firms was the Coronavirus Job Retention Scheme (CJRS) which was used by 64% of all firms. The Coronavirus Job Retention Scheme (CJRS) was created to support businesses by providing grants to employers to allow them to furlough staff and cover 80% of their wage.

A further 30% had taken advantage of deferred payments (i.e. VAT, import duty etc.), and 9% had used loan schemes whereas 6% had taken business grants. Fewer than a quarter of firms (23%) reported not utilising any of the COVID-19 government support schemes.

**Figure 13: COVID-19 - Government support schemes**



## Diversification

**In 2019 we introduced questions to the survey to monitor firms' perspectives around diversification and to identify what barriers were preventing firms from diversifying. We asked firms to indicate what best described their business' strategy and approach to energy transition.**

In the last survey 25% of firms claimed to be actively diversifying their operations and seeking work outwith the oil and gas sector, but this has now increased to 49%. However, more firms are planning no changes to the level/ proportion of non-oil and gas work as in the last survey; 11% did not plan to make changes but this has now risen to 24%. When asked if firms would be considering accelerating their diversification away from oil and gas following COVID-19, 57% of firms indicated they will.

We then went on to ask firms if they faced any barriers and challenges to diversification into other forms of energy. More firms appear to have some interest in diversification with the proportion of firms stating that it was of no interest to them falling from a quarter in the last survey to 17% in this current survey. Of those firms that have considered potential diversification 49% cited concerns around a lack of experience and skills within their organisation which has increased somewhat since the previous survey (33%). Profitability and potential returns to investment was also cited by 39%, 27% cited the limited access to capital and funding and a further 20% cited the high cost of R&D. More than one-fifth of firms (22%) are concerned about diversifying in this political and regulatory environment.

> **Skills are now the most frequently cited barrier to diversification. This emphasises the importance of ensuring that initiatives like the Scottish Government's Transition Training Fund and Green Jobs Fund are appropriately matched and accessible to both employees and employers in the industry. We must ensure that heightened ambitions to diversify aren't constrained by crucial talent gaps as we aim towards a COVID-19 recovery driven by our shared net-zero aspirations.**
>
> **Chamber viewpoint**

**Figure 14: Operators and contractors - approach to diversification**

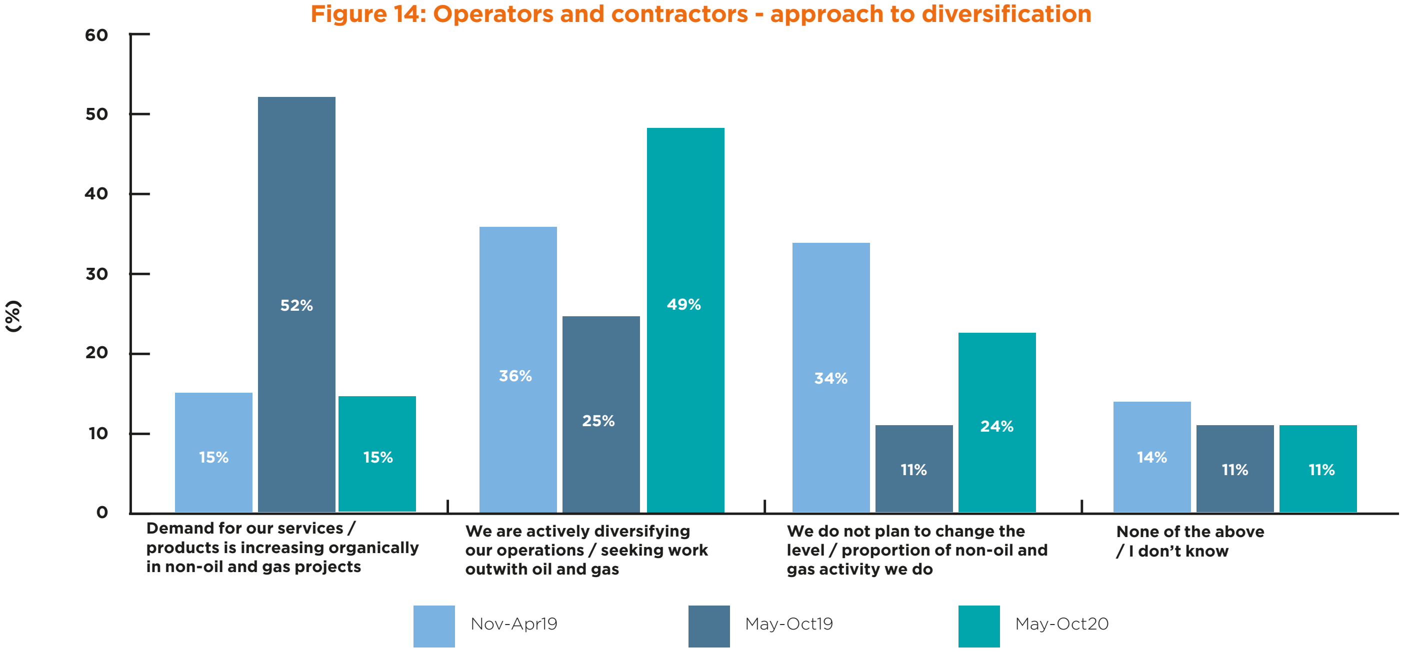
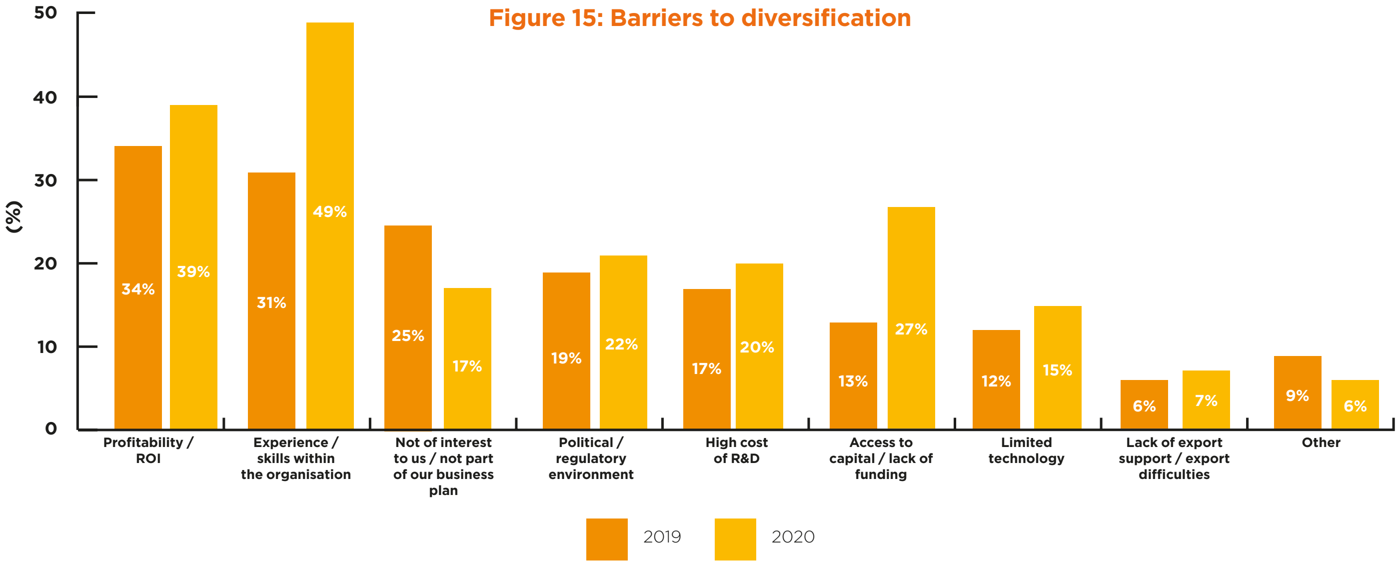



**Figure 15: Barriers to diversification**



## Percentage of business in oil and gas activities

| % | 2018 Autumn | 2019 Spring | 2019 Autumn | 2020 Autumn | Expected by 2025 |
|---|---|---|---|---|---|
| 100% | 48% | 48% | 41% | 38% | 25% |
| 80-99% | 31% | 32% | 36% | 32% | 18% |
| 50-79% | 12% | 10% | 15% | 24% | 42% |
| 0-49% | 9% | 9% | 7% | 7% | 15% |

In 2018 we introduced a question asking contractors what sectors the remaining proportion of their activities were if their business was not 100% in oil and gas activity. On average, 82% (compared to 85% in the previous survey) of contractors' business was in oil and gas activities. They were then asked what percentage of their business they expect to be within oil and gas activities by 2025 and here the average fell to 70% (78% previously). Looking in more detail fewer than two-fifths of contractors (38%) reported that all of their business was in oil and gas with a further 32% saying that between 80% and 99% of activity was oil and gas related. By 2025 just 43% of contractors expect at least 80% of their activity to be in oil and gas (down from 60% in the previous survey).

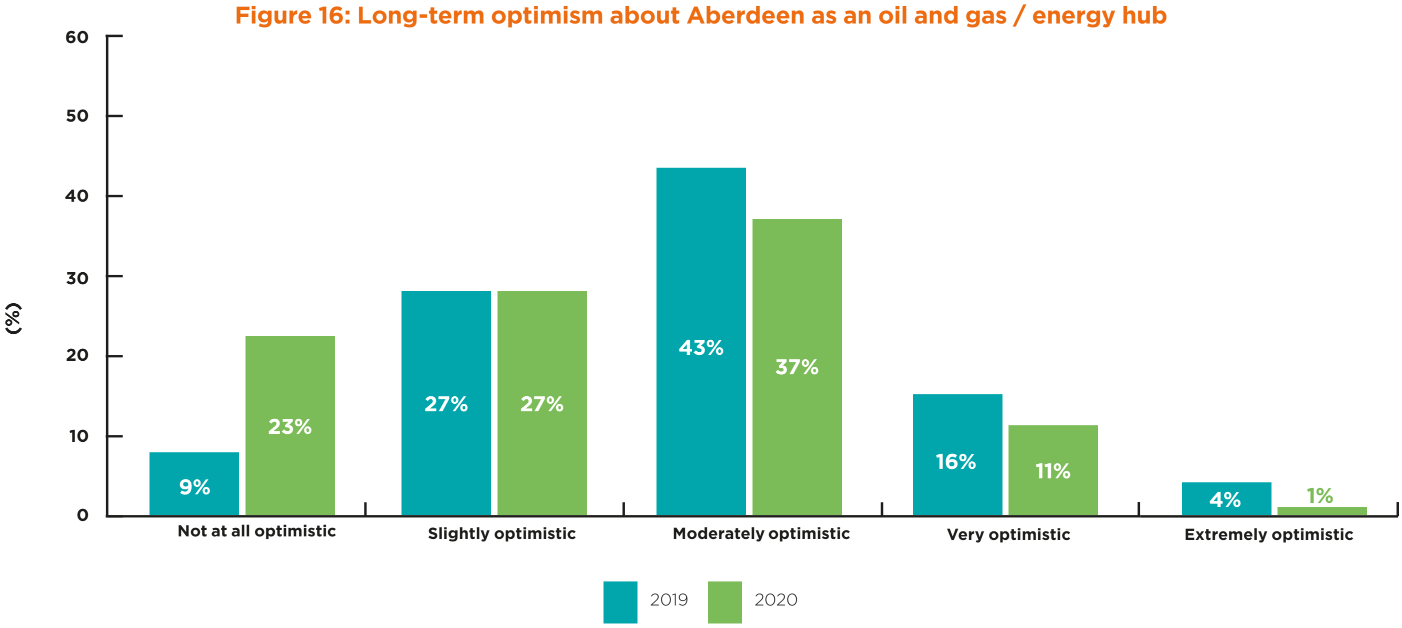
The most commonly reported sectors in which contractors were working outside of oil and gas were offshore wind (21%), decommissioning (20%) and other general engineering (20%). On average the proportion of work within these top sectors accounted for less than 15% of total activity.

## Future Planning

**With the end of the Brexit transition period scheduled for 31st December 2020, we were interested to assess firms' preparedness for this stage of the process. Only 4% of firms reported being not at all prepared for the end of the Brexit transition period, however only 1% reported being extremely prepared. The majority (79%) reported being either moderately prepared (58%) or very prepared (21%).**

When asked how optimistic firms were about the long-term future of Aberdeen as an oil and gas / energy hub almost one-quarter (23%) reported being not at all optimistic, compared to 9% in 2019, with a further 27% reporting being slightly optimistic. Only 1% reported being extremely optimistic, down slightly from 4% in 2019. The remainder were either moderately optimistic (37%) or very optimistic (11%).

**Figure 16: Long-term optimism about Aberdeen as an oil and gas / energy hub**



# Appendix

The Oil and Gas Survey is conducted by the Aberdeen & Grampian Chamber of Commerce and supported by Strathclyde University's Fraser of Allander Institute.

## Methodology

The Aberdeen & Grampian Chamber of Commerce Oil and Gas Survey seeks evidence of changing trends and uses net balances as the principal survey statistic. Most questions of this nature ask the respondent to indicate whether the trend over the past four months and expected trend over the next 12 months is either 'up', 'level' or 'down'.

The net balance for such survey questions is defined as the number of 'up' responses minus the number of 'down' responses to each survey question. Hence a positive net balance indicates a rising trend, and a negative net balance a declining trend.

Generally, the net balance can be expected to reflect the direction of change of the variable it purports to measure. Thus, for example, a positive net balance with respect to orders indicates that orders are rising. So typically, the balance statistics are assessed by comparing them with growth rates, not levels of official data series [Treasury Bulletin Vol. 4 no. 2 Summer 1993]. A total of 100 firms employing 22,665 workers in the UK (and over 400,000 globally) responded to the survey, representing 11% of companies contacted.

We would like to thank all survey participants. Without your time and input we could not have delivered this research. Your continued support is invaluable to us in meeting our commitment to bring you independent and impartial insights into the key issues facing your business and the wider sector.

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