

UK North Sea decommissioning overview

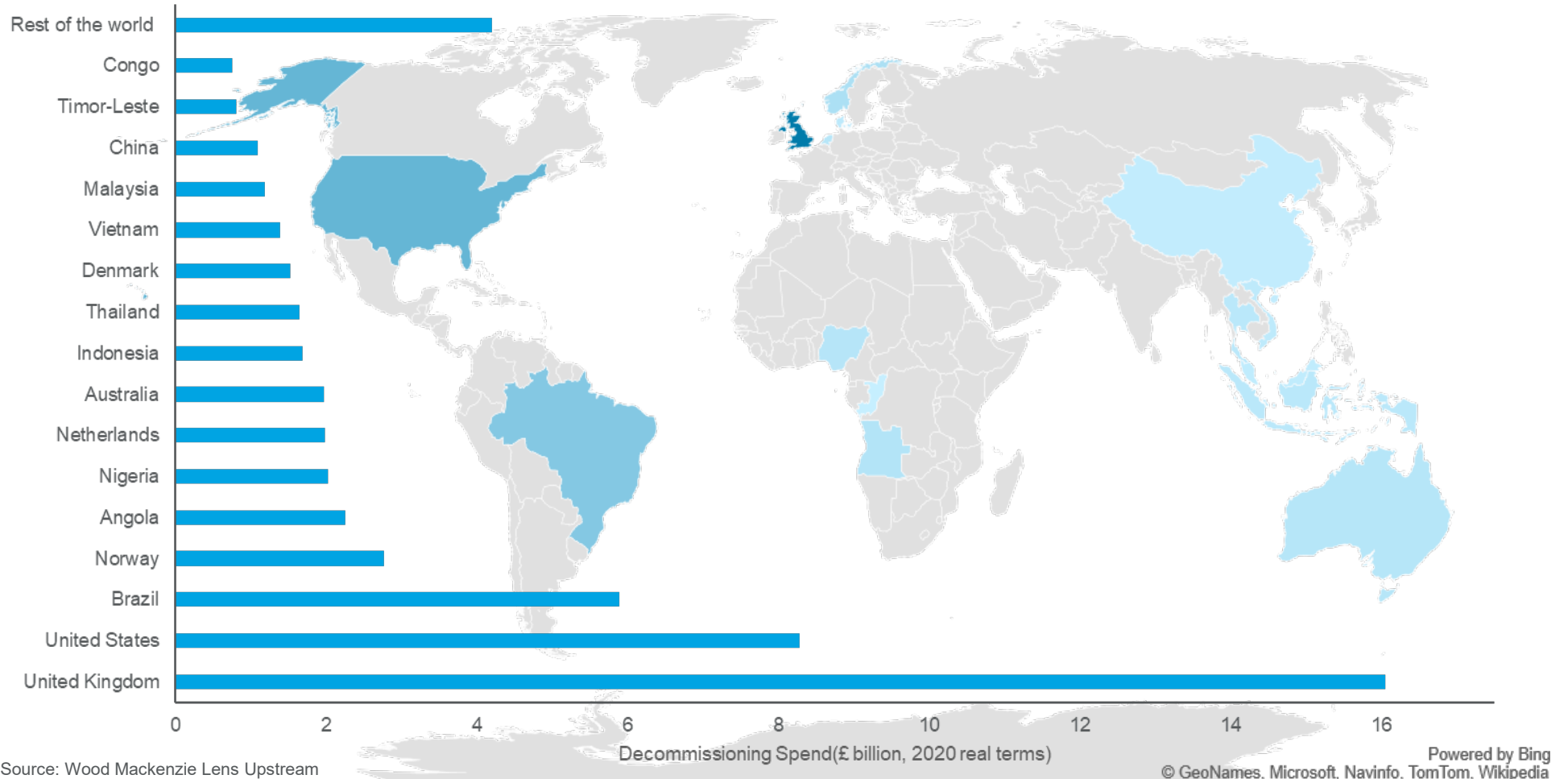
August 2020



The UK is at the forefront of global decommissioning

Over the next decade, the UK's decommissioning bill dwarfs that of any other country.

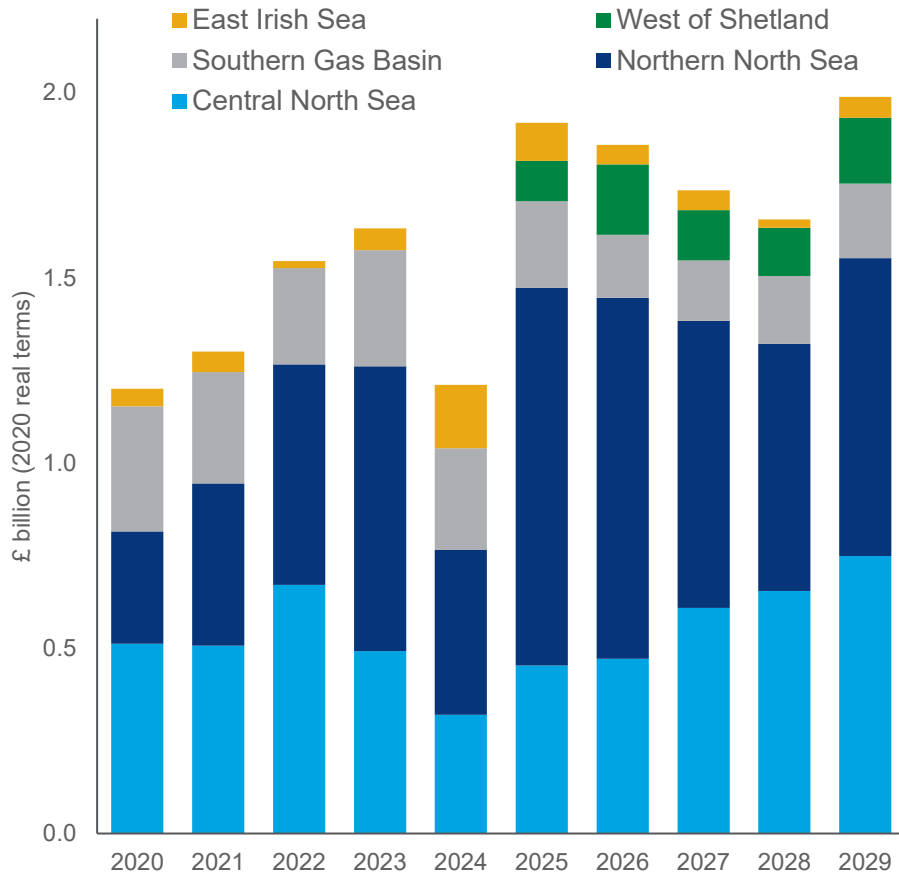
Total offshore decommissioning spend by country 2020-2029



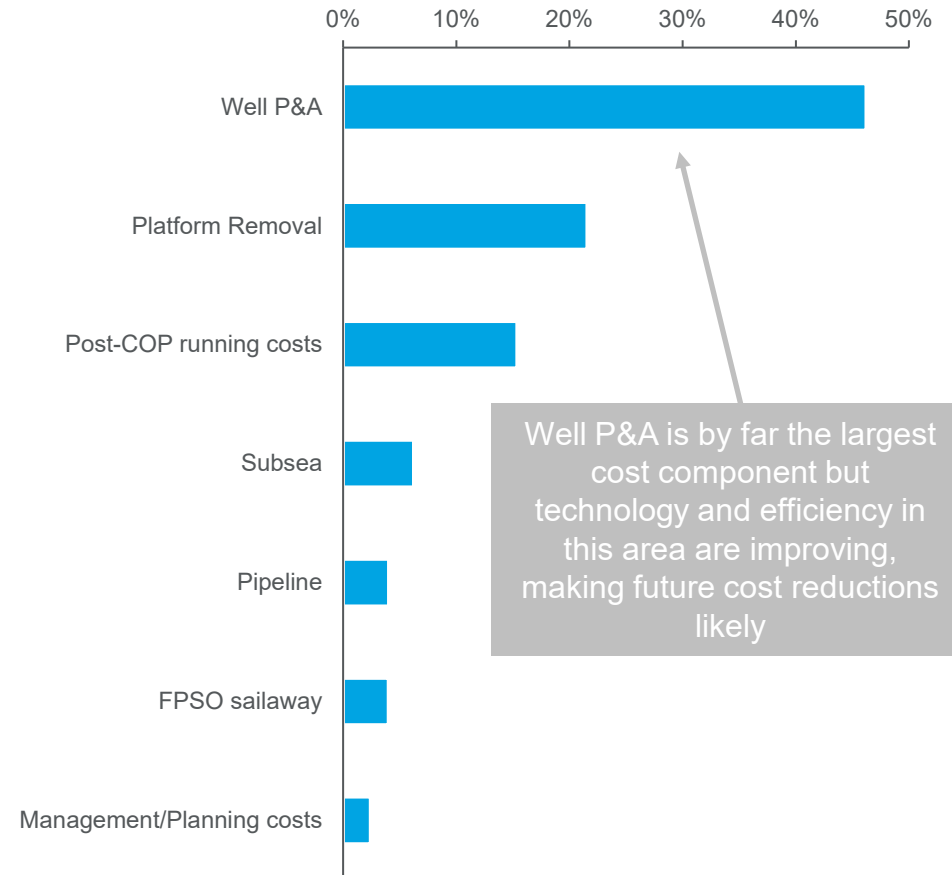
Over £16 billion* to be spent on UK decommissioning by 2029

The majority of near-term activity is in the Central North Sea. From 2024, large Northern North Sea programmes start to dominate the profile.

UKCS decommissioning spend by region 2020-2029



Decommissioning cost breakdown



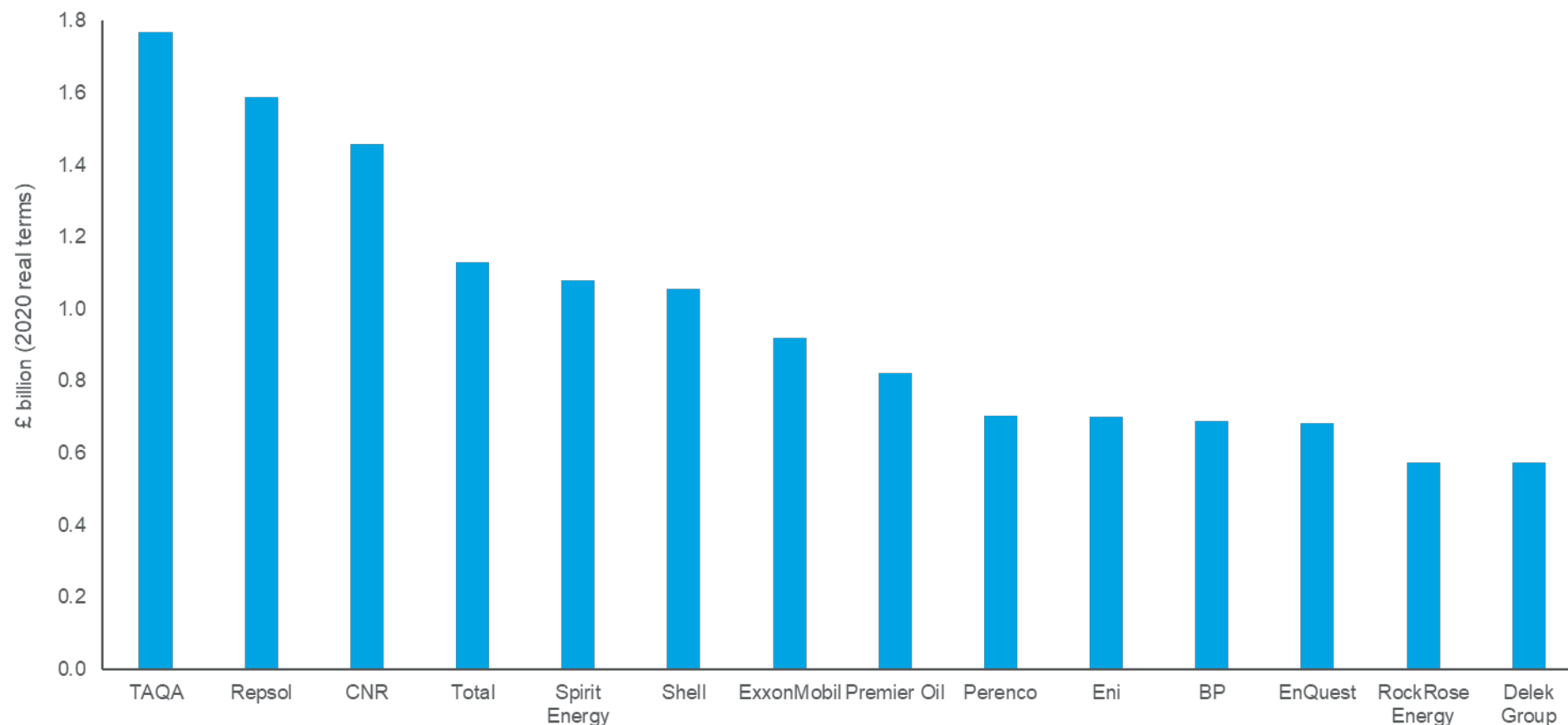
Well P&A is by far the largest cost component but technology and efficiency in this area are improving, making future cost reductions likely

*Our estimate assumes concrete gravity structures will be given derogation consent.

International non-Majors will pick up the bulk of the bill over the next decade

While the Majors are still the biggest players in the UK, their portfolios tend to have much longer life, pushing decommissioning into the 2030s and beyond.

UKCS net decommissioning spend by company 2020-2029

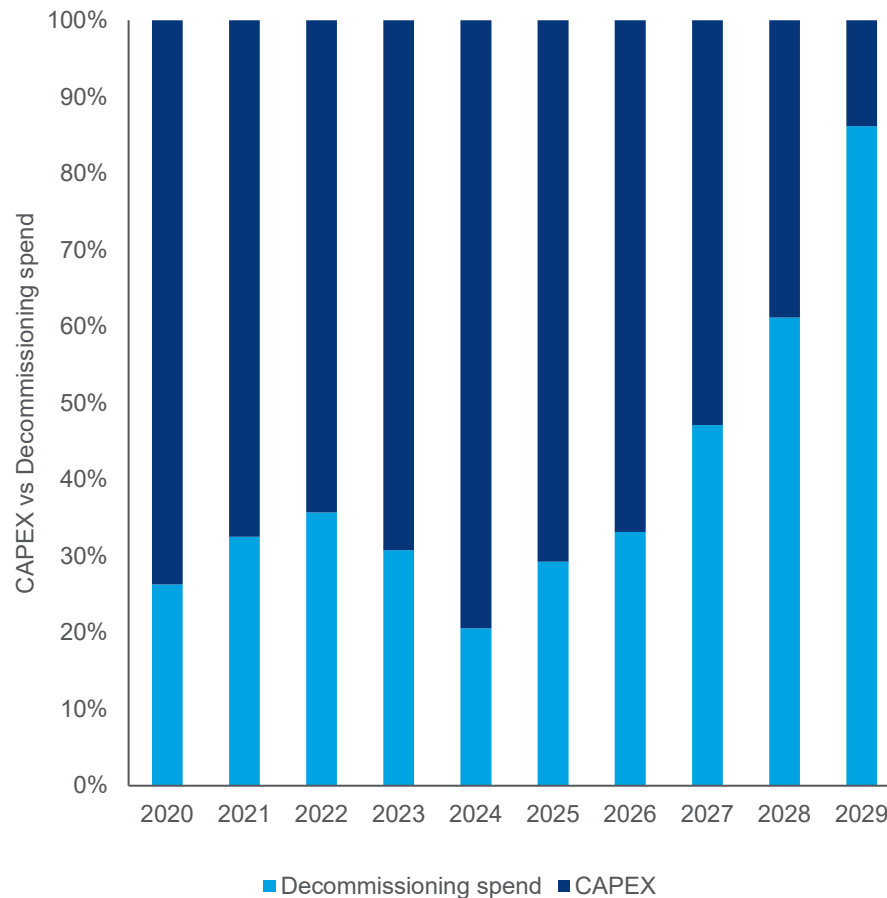
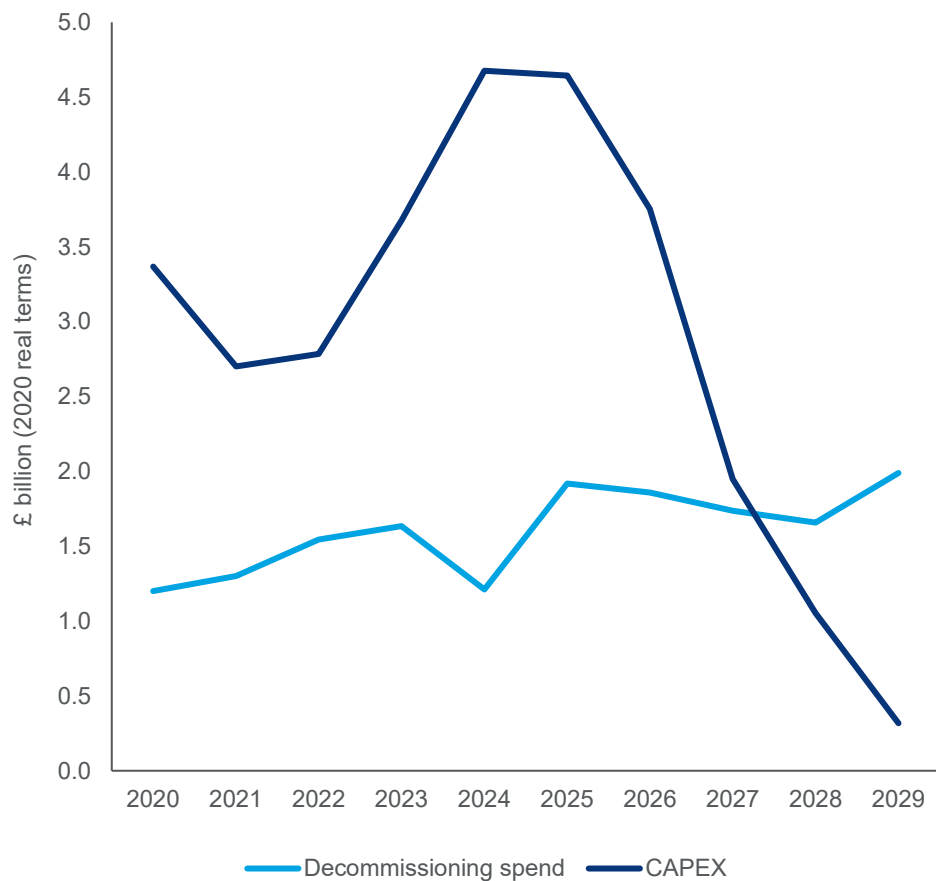


*Our estimates do not include any contingent resources.

Decommissioning spend in the UK will overtake development spend in 2028

An increasing number of field cessations, poor exploration success, and a trend towards smaller developments all contribute to the decline in development spend.

Decommissioning versus capital spend 2020-2029 CAPEX versus ABEX percentage split 2020-2029





Decommissioning in the UK will be expensive, last decades and comes with plethora of other challenges

The uncertainties around timing, cost and scale are ongoing concerns.



Transferable Tax history - decommissioning expenditure is tax-deductible and is therefore eligible for tax relief

» Designed to unlock M&A and allow sellers to preserve access to decommissioning tax relief



Decommissioning Security Agreements - companies place funds in a trust in advance and those funds are available when decommissioning occurs

» It is a private sector-led mechanism to manage decommissioning obligations



Derogation consent - decommissioning concrete gravity-based structures is a major challenge as most of these structures weigh more than 100,000 tonnes

» We assume they are left in place with ongoing liability remaining after decommissioning, but it is a controversial subject



Net Zero by 2050 - decommissioning is an energy intensive process with corresponding carbon emissions

» The GHG emissions caused by the decommissioning process can be very high, but depend on the amount of infrastructure removed and methods used



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Americas +1 713 470 1600
Asia Pacific +65 6518 0800
Email contactus@woodmac.com
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