

East Anglia THREE
Offshore Windfarm

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Oil & Gas UK figures show impact of oil price downturn on jobs

June 10, 2016

Jobs supported by the UK's offshore oil and gas industry, currently under the severe strain of continued low oil prices, will have fallen by the end of 2016 by an estimated 120,000 since their peak in 2014.

New employment figures based on the latest published data have been released today (10 June 2016) by industry trade body Oil & Gas UK. The analysis, carried out by marketing services company Experian, forecasts that in 2016 just over 330,000 jobs in the UK will be delivered through or supported by oil and gas production.

These jobs are across the whole country and cover:

- Direct employment provided by companies involved in the extraction of crude oil and natural gas and supply chain companies who directly support this activity
- Indirect employment across the extensive supply chain which also exports goods and services overseas
- Induced jobs created by the sector's spending in the wider economy, such as in hotels, catering and taxis

Brent crude is currently trading at around \$50 a barrel, less than half the price it was in 2014 when jobs linked to the sector peaked at over 450,000. Jobs supported fell by an estimated 84,000 to around 370,000 in 2015, and are forecast to have fallen a further 40,000 by the end of this year.

Deirdre Michie, chief executive of Oil & Gas UK, said: "We cannot underestimate the impact the global downturn in the industry is having on the UK economy, nor the personal toll for those who have lost their jobs, and the effect on their families and colleagues. We recognise this and are doing everything we can to support these people, working with the UK and Scottish Governments through their task forces to find suitable alternative employment, as well as with the unions as we go through these difficult times.

“The industry has been spending more than it is earning since the oil price slump towards the end of 2014. This is not sustainable and companies have been faced with some very difficult decisions. To survive, the industry has had no choice but to improve its performance. It is looking to find efficiencies to restore competitiveness, to attract investment and stimulate activity in the North Sea. With up to 20 billion barrels of oil and gas still to recover, this region is still very much open for business.”

The industry will be coming together next week at **Oil & Gas UK's Annual Conference** in Aberdeen to consider how it manages its way safely through the current downturn and how it can emerge in a competitive form that will safeguard the 330,000 plus jobs it still supports.

“330,000 jobs is still a significant number,” adds Deirdre Michie, “but the total employment we will sustainably provide depends on the level of investment attracted into the basin. If investment falls, then so will jobs. The interventions we make now will be critical to shape the industry's direction and help stem future losses.

“Everyone in the sector can play a part. Effective workforce engagement is vital onshore and offshore, as is greater cooperation – within teams, within companies, across the industry and with the Regulators and Governments. Competitiveness is improving as a result of the work the sector is doing in this area – and is being reflected in the reduction in unit operating costs from almost \$30 a barrel in 2015 to around \$17 this year. But to protect our industry and the skilled jobs it provides we need to see further efficiencies. The work of companies and of the industry's Efficiency Task Force needs to focus on ensuring that the changes being put in place are sustainable for the future that we all need to work towards.

“It is also important we consider what we can do in the immediate term to stimulate activity in support of exploration and development of existing small pools opportunities to help support the supply chain as it goes through these challenging times.”

Ends

Note to Editors

Oil & Gas UK is the leading representative organisation for the UK offshore oil and gas industry. Its membership comprises oil and gas producers and contractor companies.

For press enquiries, please contact Helen Evans in London on 020 7802 2405 or at hevans@oilandgasuk.co.uk or Lucy Gordon or Jennifer Phillips in Aberdeen on 01224 577331 or 01224 577279.

1. Oil & Gas UK's **Annual Conference** takes place in Aberdeen on June 14 and 15. More information about *The UK Oil and Gas Industry – Open for Business* event is available [here](#).

Media is invited to attend the conference. To confirm your place contact Jennifer Phillips, Communications Adviser, Oil & Gas UK on 01224 577279 or at jphillips@oilandgasuk.co.uk.

2. Employment in the UK offshore oil and gas industry

	2013	2014	2015	2016
Direct	36,600	41,700	38,200	34,000
Indirect	198,100	201,000	160,600	151,500
Induced	206,200	211,100	170,800	144,900
Total employment	440,900	453,800	369,700	330,400

NB – the above figures contain revised estimates for previous years using both the latest available data collected by Oil & Gas UK and latest published data by the Office for National Statistics.

3. Methodology

Oil & Gas UK commissioned Experian to update the estimates of the level of employment supported by their industry in the UK through direct, indirect and induced activity across the UK economy. The approach takes information on expenditure by the oil and gas industry to estimate the amount of activity supported across the entire economy through supply chain and wider economic effects. In essence, the process involves tracking the flow of the initial expenditure through the economy and estimating how much subsequent economic activity is generated through industry and household demand. The total value of all economic activity associated with oil and gas expenditure is converted to employment estimates based on a measure of average employment costs (including wages and taxes) by industry. The method is consistent with the latest official statistics and estimates of expenditure by the industry.

Expenditure or capital formation by the oil and gas industry has several effects:

- It leads to employment and value-added in that industry – this is the direct impact;
- It leads to increased downstream product demand through supply chain effects – this is the indirect impact;
- It leads to further expenditure and capital formation as the value-added is redistributed as income – this is the induced impact.

The employment supported by oil and gas industry expenditure is derived by applying assumptions about employment costs (average compensation of employees) by industry to the estimates of total compensation by industry for each of the stages of the impact. Direct employment in the oil and gas industry is aligned to official statistics for employment in the industry in each year.

4. Through its **Efficiency Taskforce** (ETF), Oil & Gas UK is driving a number of focused cross- sector projects along the themes of standardisation; business process; and co-operation, culture and behaviours. More information about the Taskforce can be found [here](#) – and examples of good practice in the basin, and common challenges are share on the **Rapid Efficiency Exchange** – an online portal.

5. Key Facts

Industry potential

- An anticipated reduction in Unit Operating Costs this year to around \$17/boe would represent a 42 per cent fall in two years
- The UKCS still holds up to 20 billion boe and can continue to provide a secure supply of energy for the country
- The sector will continue to generate billions of pounds in corporate and payroll taxes from the supply chain

Industry challenges

- Over 20 per cent of oil fields on the UKCS are operating at a higher unit cost than the prevailing oil price of around \$50/bbl
 - The number of exploration and appraisal wells drilled in 2016 could be less than half the number drilled in 2015
 - Less than £1 billion of fresh capital is expected to be sanctioned in 2016 – one eighth of the average over the last five years
 - The number of fields expected to cease production between 2015 and 2020 has risen by one fifth to over 100
4. Oil & Gas UK is participating in the Scottish Government's [Energy Jobs Task Force](#), helping to shape the support available to ensure the needs of our sector are met. This includes speaking at Scottish Enterprise's 'resilience events' to help oil and gas companies weather the downturn.

ABOUT OIL & GAS UK

Our aim is to strengthen the long-term health of the offshore oil and gas industry in the United Kingdom by working closely with companies across the sector

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