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24th June 2019

Pete

Thank you for your letter dated 7 May 2019 to Minister Perry, regarding the Government's response to the Scottish Affairs Committee's report on its inquiry into the future of the oil and gas industry.

You asked for more clarity on whether the Government will be supporting an overarching offshore oil and gas Sector Deal for the industry. Our response made clear that we share the Committee's desire to support the sector and that a close relationship with the Government has been enjoyed by the sector over many years. Through this relationship, the sector benefits from significant support through a favourable fiscal regime and long-term strategic oversight and has already in effect benefited from a significant early 'Sector Deal' in the form of the Wood Review, which led to the creation of the Oil and Gas Authority (OGA) and the Maximising Economic Recovery (MER) UK Strategy. We have also made clear that we have welcomed the work taken forward by the sector to develop the proposal and are keen to keep this engagement going as certain elements of the proposal are delivered whilst others continue to take shape.

In terms of managing the risks that you highlight, the energy transition and CCUS are areas that I would also like to prioritise for the sector and I believe the UK oil and gas industry, including its supply chain, can be an important part of the solution. Whilst I share your perspective that some of the sector's thinking in this area is less well developed, I know that the leaders within the sector share our perspective and recognise the significant challenges and opportunities ahead. This was self-evident at the recent Oil and Gas UK industry conference, which focused on an industry in transition. The Oil and Gas Authority has also developed a new policy position on energy transition and this is becoming the new normal for the sector. We also have an existing tripartite mechanism for taking work forward with the sector via the MER UK Forum.

In respect of Government backing for the Global Underwater Hub announced by the Prime Minister last month, the timescale for any decision will be dependent largely on industry and its business case.

The thinking around this hub has changed somewhat from the initial idea in the Sector Deal proposal, in that it is now proposed to be more of a cross-sector business development hub rather than an innovation centre. We look forward to receiving more details once the sector has completed its business case, but this is expected to take some more months.

You asked for an explanation of why we only published the call for evidence on strengthening the decommissioning sector in March of this year. Following the Chancellor's announcement at Budget 2018 (on 29 October), we worked closely with the Oil and Gas Authority to agree on an approach which would maximise the quality and quantity of responses. This was successfully launched at the time of the Spring Statement. We have now closed the call for evidence and are in the process of analysing the returns.

You asked for more information around the two recommendations on decommissioning that fall to the Offshore Petroleum Regulator for Environment and Decommissioning (OPRED). We are currently scoping out a project to take forward the Committee's recommendation on re-use of information in decommissioning studies and plan to work with industry, industry bodies and other representatives covering a wide range of interested stakeholders. The project will support improvements to the decommissioning process by removing ambiguity on the regulatory requirements in relation to the evidence required to support a decommissioning programme. The project will be initiated this summer with a report on the findings and recommendations produced for the first quarter of 2020.

We are also planning an open dialogue with stakeholders, including other government departments, NGOs, academia and nature conservationists to gather views and evidence around proposals for rigs to reef (re-using offshore oil and gas infrastructure to create artificial reefs that minimise harm to the environment). A project is being set up to review the current evidence on the environmental advantages and disadvantages of the rigs to reef concept, establishing a common evidence base. The project is expected to take six to nine months, at which point OPRED will present the recommendations from the project team.

Skills policy is devolved and therefore in Scotland this is a matter for the Scottish Government. That said, the sector spans the breadth of the UK. In the Offshore Wind Sector Deal, the sector has committed to establishing an Investment in Talent Group, supported by a skills professional, who will identify needs across the sector and develop curricula and accreditation to deepen the skills base. This includes developing an Offshore Energy Passport (recognised outside the UK) to accredit offshore workers and facilitate job-mobility between offshore renewable and extractive industries.

We welcome the Committee's work on the re-use of oil and gas infrastructure for CCUS projects, including its attention to issues of liabilities and ownership, and will keep the Committee updated as we progress our work on re-use in line with our commitments in the CCUS Action Plan

I hope you find this additional information useful.

A handwritten signature in black ink that reads "Chris Skidmore". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

CHRIS SKIDMORE MP