

# Glenn Kangisser and Fiona Cain in Energy Voice: Challenges for the UK Offshore Oil and Gas Supply Chain in 2024

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January 16, 2024 Glenn Kangisser, Fiona Cain

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**PRACTICES** Energy, Power and Natural Resources, Offshore Oil and Gas, Oil and Gas, Oil and Gas Litigation, Renewable Energy

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Haynes Boone Partner [Glenn Kangisser](#) and Counsel [Fiona Cain](#) authored an article for *Energy Voice* on the outlook for the United Kingdom's oil and gas market supply chain in the coming year.

Read an excerpt below:

The UKCS offshore oil and gas market supply chain is not averse to challenge having ridden the wave of the oil price collapse, Brexit and Covid-19 over the last decade.

However, the supply chain is suffering from a new breed of challenges arising from project, fiscal and political uncertainty, which has increased the prospect for disputes.

The causal factors are multiple and overlapping but, in summary terms, the industry is reeling from international competition for resources resulting in an exodus from the UK, a lack of qualified personnel and available resources and financial insecurity.

In this article, we explore how each of these may impact the supply chain going forward and what steps can be taken to mitigate their effects.

## **Political uncertainty and UKCS exodus**

Although the UK is committed to reaching net zero only by 2050, many fear that the future of offshore oil and gas in the UK could change overnight. While the current UK Government issued 27 new licences in 2023 for oil and gas exploration, by January 2025, at the latest, there will be a General Election, and this is currently predicted to lead to a change in government.

Presently, the two main political parties hold diametrically opposing views on the future of oil and gas exploration. The current government intends to continue issuing new licences, but on an annual basis, while the Labour Party has announced that it would oppose all new oil and gas licensing if they win the General Election.

This uncertainty is already impacting drilling rates and operator appetite for new projects has been severely dampened by the Energy Profits Levy. It is also causing some rig owners currently operating in the UK to look for work in the other more profitable and positive markets such as the Middle East, Brazil, Southeast Asia and the US Gulf. A decision to leave the UK increases the likelihood of supply chain contracts being terminated for convenience or for cause and it is in exercising such termination rights that difficulties and disputes continue to arise.

## **Project uncertainty and personnel challenges**

Competition for resources and shortages of qualified personnel have continued to plague the sector this year for various reasons including competition with the developing offshore wind market.

Lead times for the procurement of equipment and services have increased and have been coupled with high inflation, which has impacted the cost of equipment, as well as reducing profit margins for supply chain companies. Some suppliers have been forced to perform work late, others have done so at a loss, or worse have been unable to perform the work at all.

Parties have found themselves in dispute as a result and often for reasons that are largely outside of their control.

To read the full article from *Energy Voice*, click [here](#).