

Glenn Kangisser and Phoebe Anderson for Petroleum Review: Brexit ? A Challenge Too Far'

By Glenn Kangisser | May 3, 2017

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Investor confidence in the UK offshore oil and gas industry was drastically affected by the oil price crash in 2014. E&P activity has been low over the past few years, with a lack of new projects, maturing fields and the implementation of costcutting measures as companies have sought to remain competitive and survive the downturn. According to Oil and Gas UK, this drive to improve competitiveness has resulted in the halving of average unit operation costs from \$29.70/b to \$15.30/b within two years. However, it remains to be seen whether the industry's efforts and signs of returning confidence will be undone by the impact of the UK's exit from the European Union (EU).

According to a government document leaked earlier this year, the oil and gas industry is ranked as a 'low priority' during Brexit negotiations. However, the announcements in the Spring Budget of possible tax incentives with respect to decommissioning liabilities has been welcomed by Oil & Gas UK as sending a 'clear message to investors that the UKCS is a great place to do business' (see Petroleum Review, April 2017, p3). Whether or not the industry receives the clear leadership and support that it desires from the UK government, the future contains significant unknowns for the industry, some of which are highlighted below.

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