

The UK North Sea at a Tipping Point: Why the UK Government Must Act Now

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The North Sea stands at a defining moment as geopolitical shocks, deepening fiscal uncertainty and weakening investment conditions reshape the outlook for the UK's offshore sector. The conflict in the Middle East has driven Brent crude above USD\$100 per barrel with tanker attacks and disrupted shipping routes amplifying volatility amid fears of prolonged supply disruption.

Despite a record 400 million barrels of crude oil released from the International Energy Agency's strategic reserves, market conditions remain highly unstable.

Current State of the UK North Sea

The UK government's stated intention to ban new oil and gas licences for the exploration of new fields in the North Sea, combined with the continued application of the Energy Profits Levy (EPL) that resulted in an effective tax burden of close to 75 percent, has contributed to declining investment.

Rigs and skilled workers are leaving the basin, inevitably increasing operational and decommissioning costs. Over the past decade, more than 70,000 North Sea jobs have been lost and critical supply-chain capacity, necessary for both decommissioning and the UK's energy transition, is at severe risk.

If current policies persist, production declines will accelerate, deepening the UK's reliance on energy imports at a time of heightened global risk. Capital and expertise will continue to shift overseas, while shrinking decommissioning capacity may create financial and operational challenges. Government tax revenues will fall, and the eroding supply-chain skills will undermine net zero goals.

Building a Resilient and Competitive UK North Sea

Industry experts consistently identify one policy shift as central to revitalizing the basin: repealing the EPL. But this alone will not address the issues. A broader strategic shift is needed to prioritise domestic production, which would strengthen energy security, preserve supply chain capacity and attract new capital across oil, gas and low-carbon technologies such as carbon capture, hydrogen and offshore wind. The infrastructure and expertise built over decades in the North Sea are precisely what is required for the energy transition.

In addition to policy reform and a shift in priority, the onus will be on the UK government to implement and oversee a number of measures:

1. **Stricter Regulatory Enforcement:** The North Sea Transition Authority has signalled a tougher stance on missed decommissioning deadlines, but more robust financial penalties and public disclosure of failures are needed to ensure compliance.

2. **Enhanced Financial Security Requirements:** Requiring operators to provide more robust security for future decommissioning liabilities through bonds or trust funds can help ensure funds are available, even if an operator faces financial difficulty. These costs should not be borne by taxpayers.
3. **Greater Transparency:** Operators must provide more detailed, frequent reporting of decommissioning plans and cost provisions to support supply chain planning and regulatory oversight.
4. **Early and Consistent Supply-Chain Engagement:** Timely disclosure of inactive well inventories and future work scopes is critical for mitigating bottlenecks, stabilizing pricing and retaining UK supplier capacity.

A Turning Point for the UK

The North Sea's challenges coincide with global challenges, from disrupted shipping lanes to surging energy prices and rising inflationary pressures. All of these issues highlight the vulnerabilities of import dependent economies.

The UK now faces a fundamental choice: pursue a well-managed, strategically coherent transition that safeguards supply-chain capability and strengthens energy security, or allow a disorderly decline that accelerates job losses, increases import dependency and jeopardises climate objectives.

The *North Sea Future Plan*, published by the UK Government in November 2025, provides an important framework. Successful execution will require policy direction, consistent regulation and sustained support for the workforce and the supply chain.

For more than 50 years, the North Sea has powered the UK and anchored its industrial base. With the right approach that balances realism with long-term vision, the North Sea can continue to enhance national energy security while enabling the transition to a cleaner, more resilient energy future.