

Oil and Gas

The UK Oil and Gas extraction industry, also referred to as Upstream, covers the exploration, extraction and initial processing of North Sea oil and gas (hydrocarbons) both onshore and offshore. The centre of activity for the oil and gas extraction is off the coast of Aberdeen, Scotland. Hydrocarbons are produced in other areas of the UK such as the southern North Sea, from around offshore Humberside to Norfolk and Suffolk, and offshore Liverpool and Morecambe Bays. The industry is a major source of employment and a significant contributor to the national economy.

Headlines

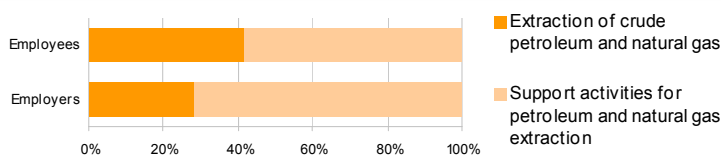
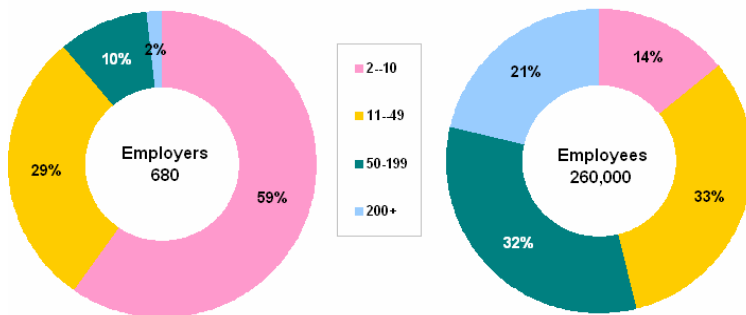
- In 2009, the UK was the **16th largest oil and gas producer** in the world (15th largest gas producer and 19th largest oil producer)⁵.
- Three quarters of the UK's current primary energy demand is met by oil and gas. In 2009, oil produced on the UK Continental Shelf (UKCS) satisfied **almost all (94%) of domestic consumption** while gas produced in the UK met about two thirds of demand.
- The Oil and Gas industry invests **£1.4bn in research and development⁸ and £5.2bn on capital expenditure¹** in the UK in 2008. The industry **paid £6.4bn in corporate taxes** in 2009-10, representing 20% of total UK corporation tax.
- **Average annual growth rate is 9.3%**. The industry is forecast to reach a turnover of £100bn in 2015⁴. Balance of trade in the Oil and gas industry show a deficit of £4.1bn in 2009⁶ – a third less than the deficit of the previous year.

Economic Picture¹

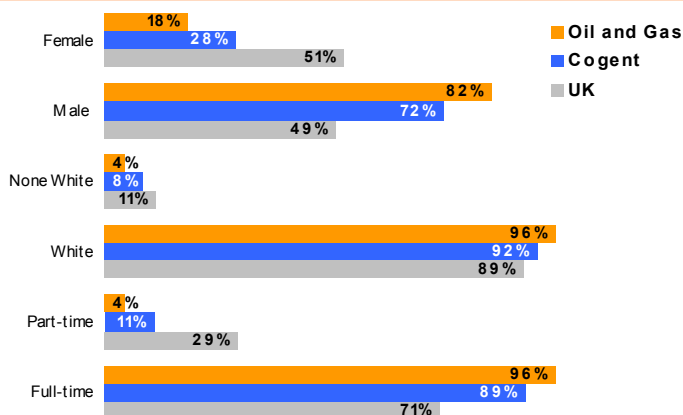
Industry	Turnover	GVA*	GVA per Employee
	£ / bn	£ / bn	£
Extraction of crude petroleum and natural gas	51.88	31.37	2,413,231
Support activities for petroleum and natural gas extraction	6.00	2.76	153,333
Overall	57.88	34.13	1,101,032

The Workforce

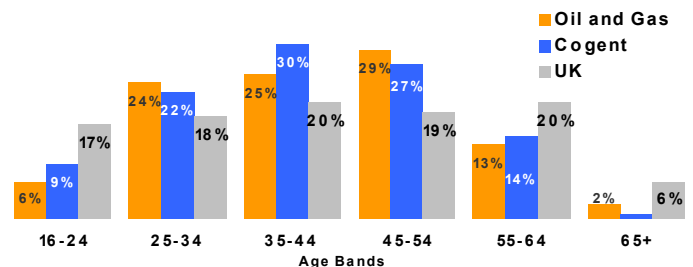
Employers and Employees by Size^{1,2,4}



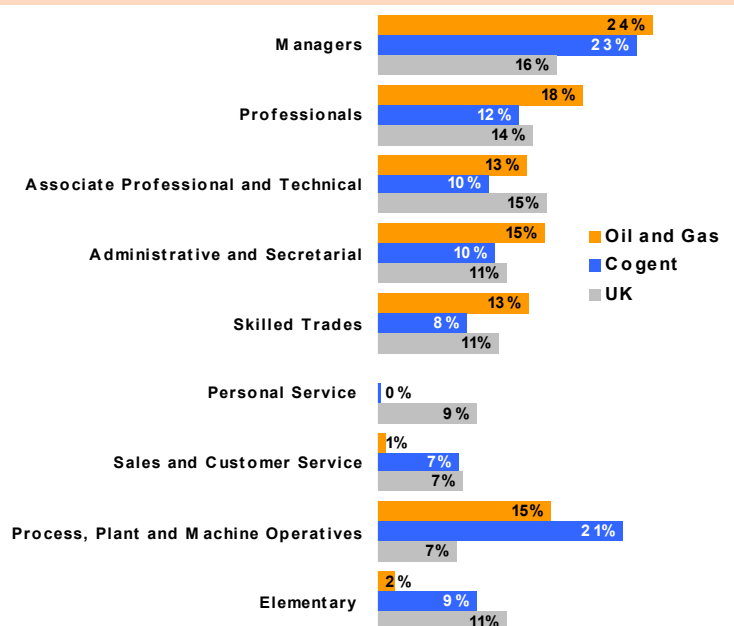
Workforce Distribution – Gender, Ethnicity and Employment Profile³



Age Profile³



Occupational Distribution³



1. Annual Business Enquiry (ABI) 2008-data released June 2010, Office of National Statistics (ONS) 2010

2. National Employers Skills Survey (NESS) 2009

3. Labour Force Survey (LFS) 2009, ESDS 2010

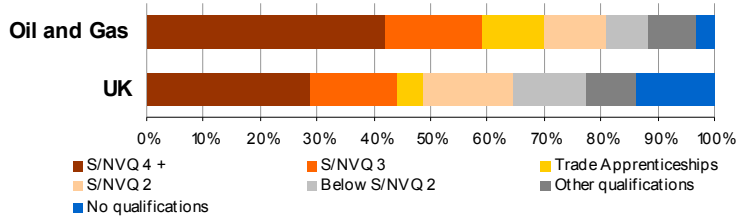
4. Cogent Industry Estimate- (estimated from national data, ABI, LFS, NESS, BIS..etc)

5. Oil and Gas UK Economic Report 2010, Oil and Gas UK, www.oilandgasuk.co.uk

* GVA - Gross value added (GVA) represents the amount that individual businesses, industries or sectors contribute to the economy.

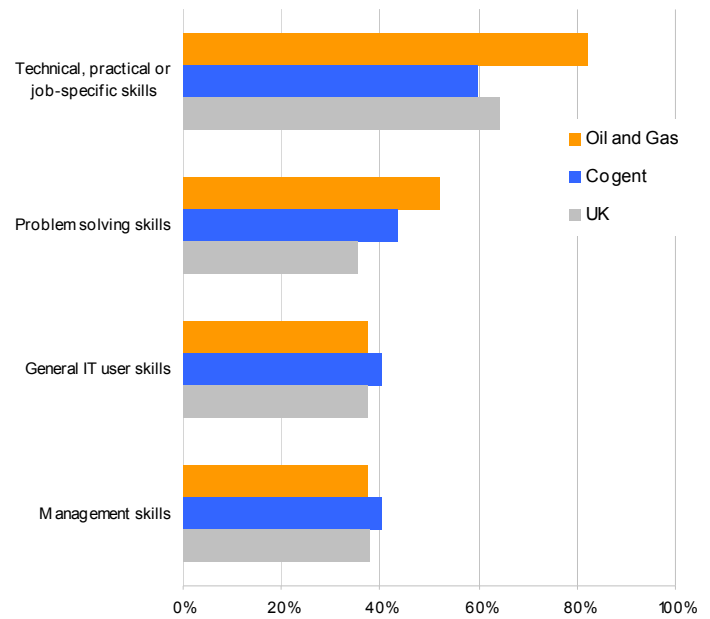
Skill level and Skills Needs

Skill Level³

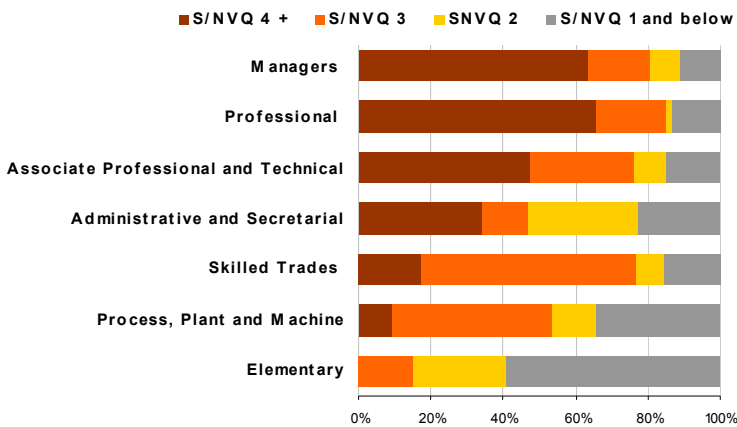


Skills Needs²

Top four skills that will need improving or updating in the next 12 months in all occupations, as reported by employers.



Skill Level by Occupation³



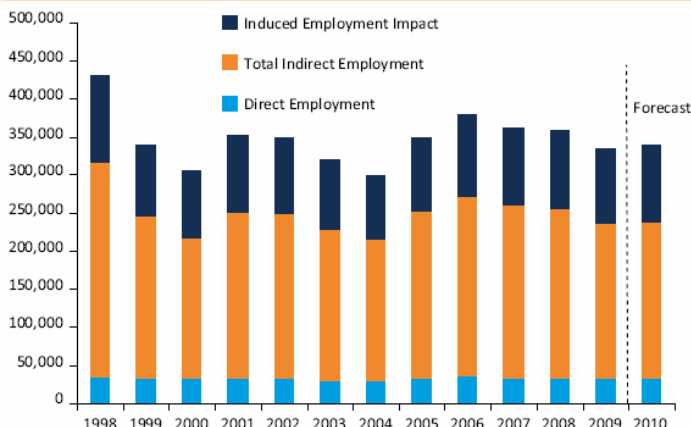
Skills Demand and Training²

- Approximately 20% of Oil and Gas employers expect that the demand for management and professional/higher level skills to increase in the next 12 months.
- 24% of employers expect that the demand for Skilled trade skills to increase in the next 12 months.

	Oil and Gas	Cogent
Proportion of employers that expect staff will need to acquire new skills or knowledge in the next 12 months	58%	63%
Internal skills gap (proportion of employees that are not fully proficient at their jobs, as reported by employers)	22%	21%
Proportion of employers that provided training (last 12 months)	80%	66%
Number of staff trained as a proportion of employees (last 12 months)	52%	50%
Average annual training budgets per employee ⁷ (excludes cost of maintaining production while training the employee)	-	£930

Employment and Workforce Distribution

Oil and Gas Employment Trend 1998-2010⁵



- Employment in Oil and Gas industry is directly related to the rate of investment in new production and expenditure on existing operations.
- Currently, each £billion spent by the industry provides around 13,000-18,000 indirect jobs, whether the money is operating expenditure or capital investment.
- Oil and Gas industry invested £5.2bn on capital expenditure in the UK in 2008¹. Thus, if investment were to halve from around £5 billion to £ 2.5 billion by 2010, some 50,000 jobs could be lost.

Employment by Region and Nation⁴

	Employees		Employers	
	n	%	n	%
East	10,400	4%	45	7%
East Midlands	2,303	1%	41	6%
London	15,600	6%	78	11%
North East	7,800	3%	27	4%
North West	10,400	4%	11	2%
South East	15,600	6%	56	9%
South West	6,500	3%	45	7%
West Midlands	3,900	2%	7	1%
Yorkshire and The Humber	2,206	1%	27	4%
England	74,709	29%	337	50%
Scotland	182,000	70%	338	48%
Wales	780	0.3%	4	1%
Northern Ireland	1,831	1%	7	1%
Total	260,000	100%	685	100%

* Industry estimates can exceed ABI employee and employer data due to contractor workforce and SIC limitations.

6. Trade Statistics 2009, HM Revenue and Customs (HMRC) 2010

7. Skills Oracle 2010, Cogent SSC

8. R&D Scoreboard 2008, BIS 2010