



UK Trade
& Investment



The UK's Experience

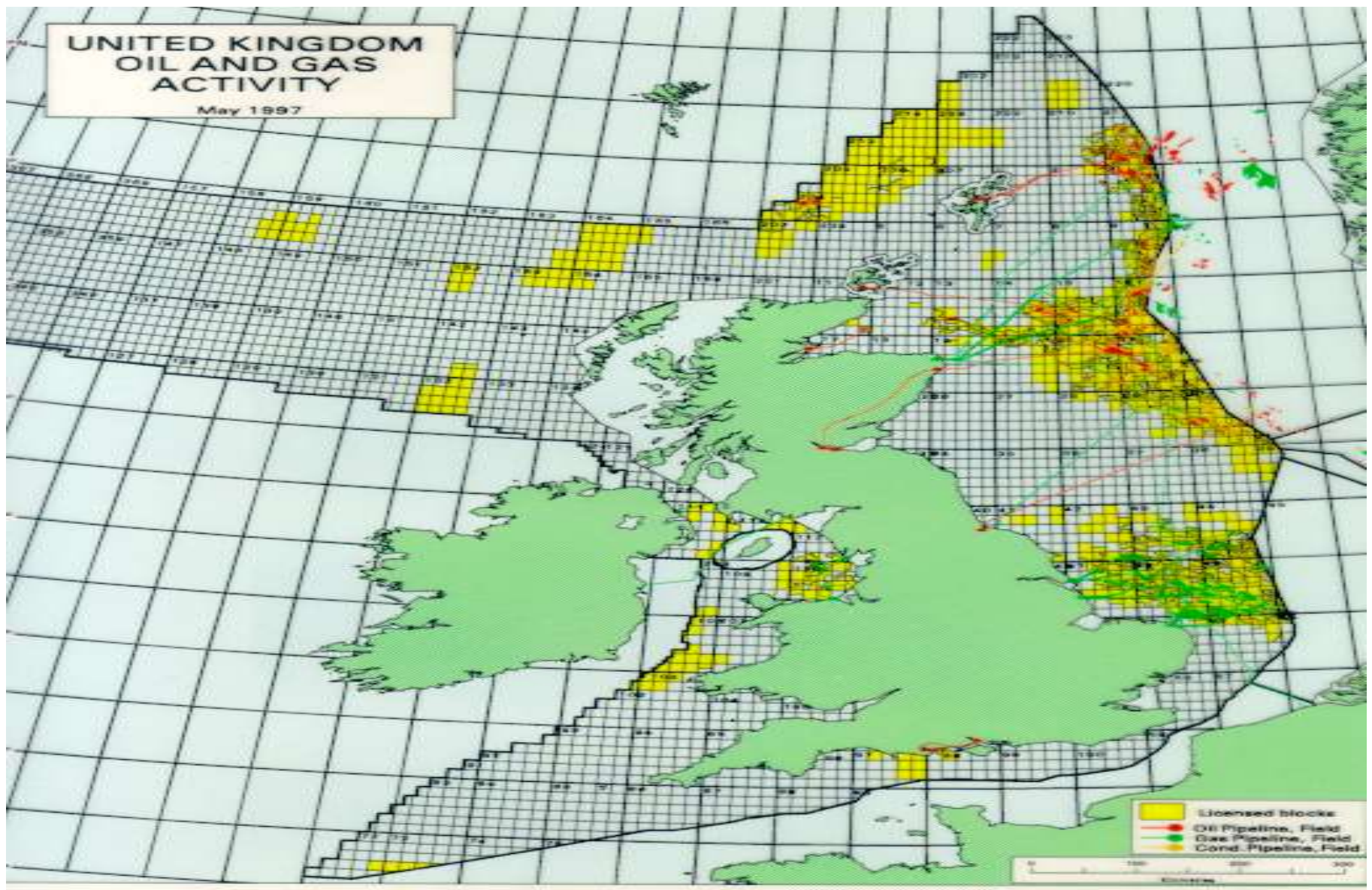
John Crawford

Regional Director, Americas and Sub-Saharan Africa

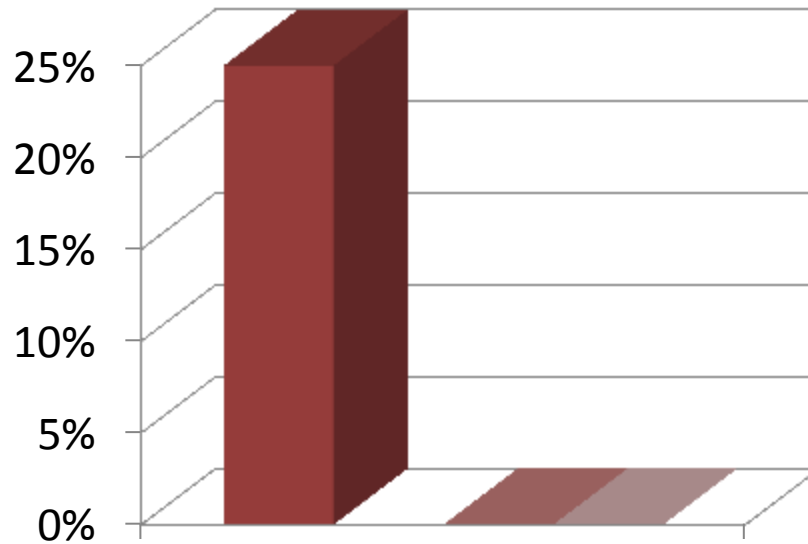
Oil & Gas

UKTI

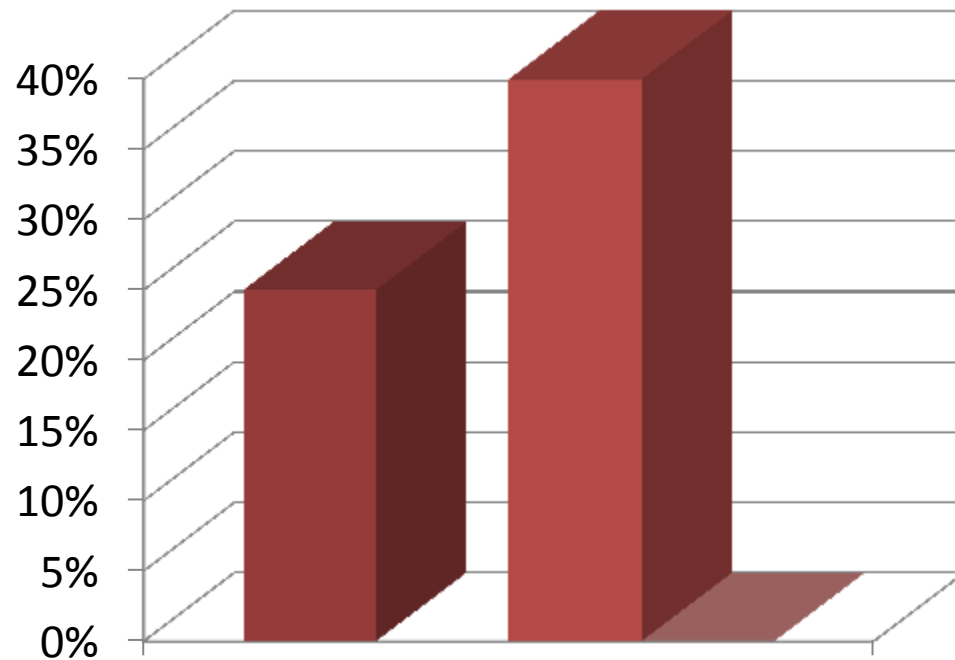
Supply Chain Development



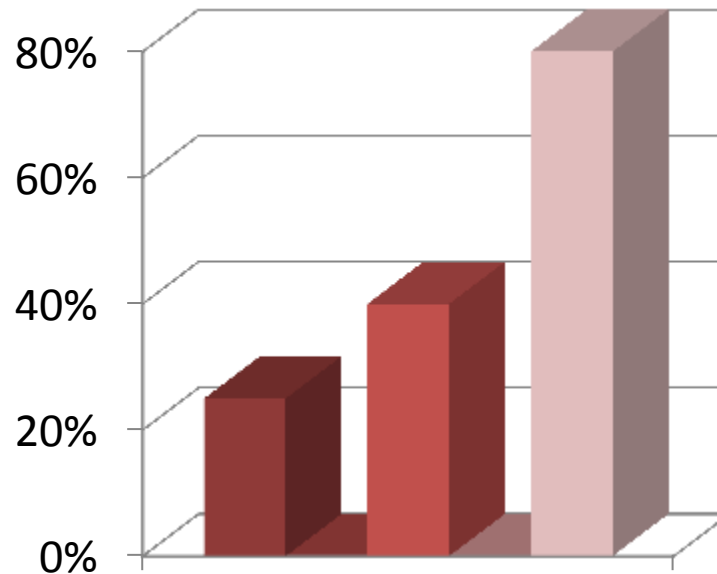
North Sea Supplies UK Content



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North Sea Experience

**How was this growth in
local content achieved?**

Supply Chain Development - North Sea Experience

Investor friendly policies recognised that: -

1. **Hydrocarbon developments are long term and require economic stability.**
2. **Regulations controlling safety and pollution must not inhibit technology development or schedule.**
3. **Regulatory framework should be clear, transparent and understood by everybody.**
4. **Agreement of development methods and programmes should not cause delay.**
5. **A monitoring organisation was required for UK content.**

Supply Chain Development

Offshore Supplies Office (OSO) 1973:

Key Objectives

- Obtain maximum involvement of indigenous British Industry in the oil and gas supplies gas market.
- To grow British industrial capability
- Ensure there was no slippage in the timetable to oil production.

Supply Chain Development

Offshore Supplies Office : -

- Identified areas where indigenous capability was available and required.
- Pioneered the Full and Fair Opportunity policy (FFO) which allowed UK industry to be given opportunity to develop the required technologies.
- Ensured that schedule, cost and quality were equal to or better than foreign competitors.
- The FFO was deliberately non protectionist to ensure maintenance of UK long term competitiveness.

Supply Chain Development - Key Factors

- **Shortage of sector specific capability at start of UKNS exploitation**
 - traditional industries in decline and need for regional development.
- **Voluntary collaboration between UK government and operators**
 - full and fair opportunity but no damage to progress of projects.
- **UK maintained open investment and supportive business regime**
 - foreign companies came and developed UK based operations.
- **Range of financial and practical measures to encourage development**
 - but UK companies not protected from competition and market forces

Supply Chain Development

North Sea Experience – the Legacy

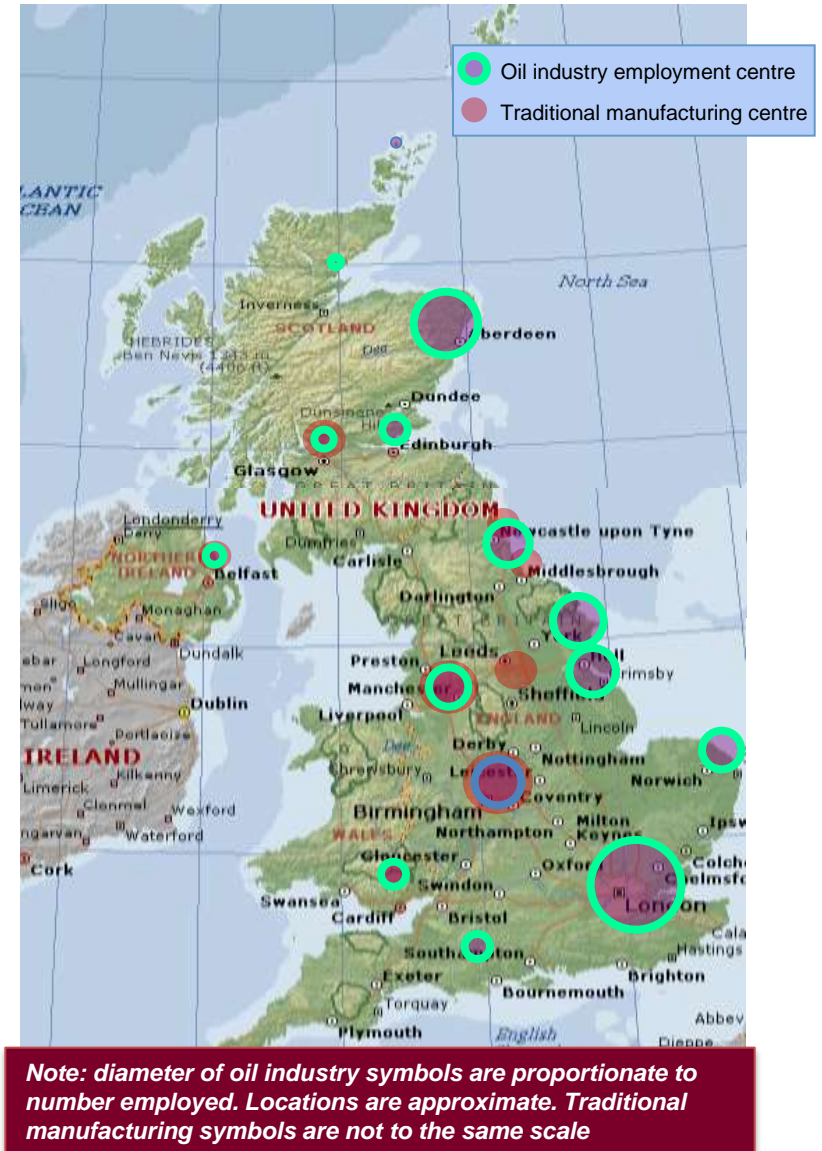
- **R&D and SME growth generated new technologies and innovation**
- **Foreign companies that established UK branches have remained in the UK & grown.**
- **UK based companies have developed new technologies for EOR and deepwater.**
- **Export focussed capability**

Supply Chain Development

North Sea Experience – the Legacy

- This supply chain now has a turnover of around £30 to £40 billion and exports £16 billion
- The automobile industry contributes around £15 billion to the UK economy
- Marine and subsea
 - alone are worth roughly £20 billion worldwide and the UK accounts for almost 50%
 - There are almost 4,000 active companies providing services or support to the oil & gas sector in the UK

Supply Chain Development - between 1970 and 1995



Supply Chain Development - Summary

Positive local content

- ✓ Policy time frame
- ✓ Maintenance of adequate competitiveness
- ✓ Stable economic and commercial
- ✓ Environment
- ✓ Commercial motivation
- ✓ Prioritisation of capabilities
- ✓ Exploitation of existing capabilities
- ✓ Availability of flexible workforce
- ✓ Training facilities
- ✓ Government and industry co-operation

Negative local content

- ✓ Prescriptive legislation
- ✓ Short term political policies
- ✓ Slow down of planned development
- ✓ Caused by local content policy

Maximising Economic Recovery

- **June 2013 Wood Review**
- **Review published in February 2014. 4 key recommendations**
- **Government and Industry to develop and commit to MER strategy**
- **Create new arms length body charged with effective stewardship and regulation**
- **New body should take additional powers to facilitate implementation of MER**
- **Develop and implement sector strategies covering exploration, asset stewardship, regional development and infrastructure, technology and decommissioning**
- **OGA established in April 2015 and Energy Act of 2016 created OGA as a Government Company with powers**
- **These include ability to participate in meetings with operators, access data and provide enhanced dispute resolution**
- **Government and industry co-operation**

UK Subsea Industry

- **UK is one of the major global centres of excellence**
- **Over 750 companies**
- **UK subsea exports are valued at almost £5 billion**
- **Engineering and manufacturing companies generate just over 25%, while service providers account for 26% of these**
- **UK companies have experience, expertise and technology to contribute significantly to the development of the O&G industry in Brazil in areas such as subsea, field life extension, offshore maintenance and construction**

Brazil-UK Relations

- UK and Brazil have enjoyed close commercial links for over 200 years and we look forward to many more
- UKTI continues to work closely with key stakeholders and buyers of UK goods and services in Brazil to ensure UK companies are prepared to capture business opportunities and bring value to the Brazilian economy when the oil and gas industry regains momentum
- Over 200 UK O&G companies active in Brazil, since 2013 we have helped UK companies win almost £2bn of business and over 25 business missions were promoted between both countries
- 2014 UK and Rio Government signed an MOU on Energy
- Last year more than 50 Brazilians from Government bodies, TA's and companies visited Offshore Europe in Aberdeen
- A great advantage for Brazil/UK business relations in O&G are the similarities between the North Sea environment and the ultra-deep Pre-Salt

Brazil-UK Relations

UKTI Brazil commercial specialists can help you connect your demands to the wide range of products and services offered by UK companies in the O&G sector. Contact us!

UK

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BRITAIN

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Europe*

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