



# OIL and GAS

## Market Overview

The UK is currently the world's fourth largest gas producer and ninth largest oil producer. The vast majority of activity (over 95%) is offshore in The North Sea—the waters to the east and north of the UK mainland. North Sea production is primarily from the UK and Norway, with smaller amounts produced by Denmark, Netherlands and Germany.

UK North Sea production is currently near an all-time high at approximately 2.7 million barrels per day (135 million tonnes per year). As can be seen from the table below, on an annualized basis, production peaked at its highest level ever in 1999, but then fell back slightly last year. This was primarily due to planned maintenance rounds on installations, and does not reflect any trend to lower production levels in the near future.

### Annual United Kingdom North Sea Production

Million Tonnes of Oil Equivalent

	OIL	GAS	TOTAL
1970	0.2	10.2	10.4
1980	86.9	34.2	121.1
1990	99.8	45.4	145.2
1997	139.8	83.9	223.7
1998	144.8	87.5	232.3
1999	149.6	96.1	245.7
2000	126.5	102.9	229.4

Confidence in the UK North Sea sector is currently higher than it has been for quite a number of years. For example, Shell, BP and ExxonMobil have all recently announced significant increases to their

capital expenditure budgets for the North Sea for 2001, and, as a result, total investment is expected to show a 33% rise from £3 billion (C\$7.5 billion) in 2000 to £4 billion (C\$10 billion) in 2001.

### Other Recent Investment Announcements

Operator	Fields	Investment (£m)
Kerr McGee	Leadon	470
Phillips	Jade	191
British Gas (BG)	Blake	158
BP	Lomond/S Everest	71
Shell	Gannet/Kingfisher/Curlew	50
Conoco	Vixen	25

Medium-term prospects also continue to look attractive. As can be seen from the Table of Reserves, estimates of remaining reserves in present discoveries have stayed at broadly the same level over the last 10 years, despite the large increase in oil and gas extracted. This is due to new discoveries being made, and to new technology allowing greater exploitation both of current discoveries and of old discoveries previously regarded as not economically viable. At a company level, BP, as an example, is believed to be looking over a four-year horizon at a number of projects that could fundamentally change North Sea operations. These include providing power to offshore platforms from land

(hence dispensing with the need for gas turbines and associated equipment on the structures), as well as laying a broadband fibre-optic cable to clusters of installations to bring them online, which would theoretically enable well drilling in the North Sea to be controlled from a distant office. The UK government is also extremely active in pursuing measures to protect the longer-term health of the offshore oil sector—for example through its Oil and Gas Industry Taskforce and successor body Pilot, which has set itself a UK North Sea production target for 2010 of 3 million barrels per day (150 million tonnes per year) of oil equivalent.