



Aberdeen &
Grampian
Chamber of
Commerce



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Executive Summary

The Energy Profits Levy (EPL) was introduced as a short-term, emergency measure to capture windfall profits when global energy prices spiked.

Three years on, those windfalls have passed - but the policy remains in place at a higher rate and for longer. The result is a tax regime that is now actively deterring investment, shrinking the tax base, eroding the UK's energy security, and costing high-value jobs.

This isn't industry "crying wolf". It's happening - in real time, across operators, supply chain firms, and industrial sites that anchor the UK's energy system. Investment is collapsing, projects are being scrapped, fields are closing early, and companies are moving capital and capability overseas.

Treasury is collecting less tax, not more.

The North Sea is producing less energy, not more.

This submission shows how the UK is **losing on all fronts** because of the Energy Profits Levy (EPL).

We are **losing investment** as capital exits the basin, fields close early and projects are shelved - a direct response to a fiscal regime that has made the UK one of the least competitive places in the world to drill.

We are **losing revenue**, with official figures showing North Sea tax receipts have halved in just two years as the tax base shrinks beneath higher rates.

We are **losing energy security**, becoming more dependent on volatile global LNG markets and higher-carbon imports as domestic production declines.

We are **losing jobs**, with redundancies and restructurings already sweeping through operators, the supply chain and industrial sites.

We are **losing critical supply chain companies**, as firms relocate capacity, investment and talent overseas — eroding the UK's industrial base at the very moment it is needed to deliver net zero.

And we are **losing opportunity**, as Aberdeen - the UK's energy capital - faces the weakest economic outlook of any UK city, with policy uncertainty choking off the investment needed to power the transition.

The evidence that follows shows these are not abstract warnings. This is happening now - and without decisive action, these losses will compound, locking the UK into a cycle of lower investment, lower revenues, fewer jobs and greater reliance on imported energy for decades to come.

However, this does not need to be the case. There is significant fiscal and economic upside for the UK if it chooses to maximise the remaining potential of the North Sea.

The Climate Change Committee estimates the UK will require between 13-15 billion barrels of oil and gas between now and 2050. Capturing a greater share of this domestically could generate over £100 billion in additional tax revenues, with total receipts rising to £164 billion, compared to £56 billion under a restrictive, low-investment scenario. It would also delay decommissioning liabilities currently estimated at £10.8 billion, while sustaining employment and supply chain capacity during the transition to net zero.

A strategic shift to a more competitive fiscal regime, alongside policies that support lower-emissions domestic production, could unlock up to 7.5 billion barrels of recoverable resources, extend field life, and secure a more stable tax base. In doing so, the UK would retain more of the economic value of the energy it consumes, strengthen energy security, and protect high-value industrial capabilities, while still advancing its climate objectives.

Russell Borthwick

Chief Executive,

Aberdeen & Grampian Chamber of Commerce



EPL: Losing investment

The EPL has had a significant and damaging impact on investment in the UK North Sea, with consequences for tax revenues, jobs, and energy security. [According to analysis published by Stifel](#) this year, the high windfall tax rate has made investment in the basin uneconomic, accelerating a decline in production and deterring capital that would otherwise sustain domestic output.

Fixed operating costs mean that when investment slows and production falls, profits are squeezed disproportionately, eroding the tax base. Stifel highlights the decision by APA (formerly Apache) to cease production early at the Beryl field as a clear example of this effect, resulting in the loss of 80 million barrels of oil equivalent and an estimated £600 million in tax revenue from a single asset.

Production forecasts have been consistently downgraded since the introduction of the EPL, and Stifel estimates that the policy will lead to a £3 billion reduction in North Sea tax receipts between 2025 and 2030 due to lower production. Overall, they judge that the Office for Budget Responsibility's forecasts for North Sea tax receipts are around £10 billion too high over this period, as the EPL has become self-defeating: higher tax rates have driven down investment and production, which in turn has reduced overall taxable profits.

This projection has been borne out by [recent data from The North Sea Transition Authority \(NSTA\)](#), which has cut its production forecast to 2050 by almost one billion barrels of oil equivalent - a downgrade which OEUK calculates equates to a £50.6bn hit to the UK economy.

The UK's fiscal regime is now markedly less competitive than Norway's, despite similar headline tax rates. Whereas a typical well in Norway breaks even at \$56 per barrel, the equivalent project in the UK requires an oil price of \$130 per barrel to make the same return, making the UK significantly less attractive for capital investment.

The consequences of this decline extend beyond the fiscal sphere. Lower investment is already resulting in job losses, with Harbour Energy announcing substantial redundancies, and threatens to undermine the UK's energy security.

Stifel projects that, on current trends, the UK will be importing 85 per cent of its gas by 2030, increasing exposure to volatile global LNG markets and geopolitical risk, while also raising emissions. LNG imports have nearly four times the carbon intensity of domestic gas production, and the shift from UK supply to imports could add an estimated 35 million tonnes of CO₂e to UK emissions by 2030.

Stifel's analysis also makes clear that it does not have to be this way. Drawing on the logic of the Laffer Curve, they estimate that removing the EPL and restarting investment at around £4 billion per year would stabilise production at roughly 0.8 million barrels per day—around 40 to 45 per cent higher by 2030 than under current policy—while increasing total tax receipts over the next five years.

This would involve an additional £7 to £8 billion of capital expenditure between 2026 and 2030, protecting high-value jobs, improving energy security, and supporting the energy transition. In Stifel's words, the EPL has been a "needless act of self-harm", raising some short-term revenue at the cost of far greater long-term losses in tax, investment, and security. Removing the levy would stimulate new activity, reverse part of the production decline, and generate more fiscal revenue for the Exchequer than retaining it.



EPL: Losing revenue

Official HMRC data published in September 2025 [shows that government revenues from UK oil and gas production have fallen sharply](#) over the past two years, underscoring how the Energy Profits Levy (EPL) is now failing to deliver the revenues it was intended to raise. Total tax receipts from the sector were £4.5 billion in 2024-25, down from £6.1 billion the previous year and £9.0 billion in 2022-23. This represents a £4.5 billion (50 per cent) fall in just two years.

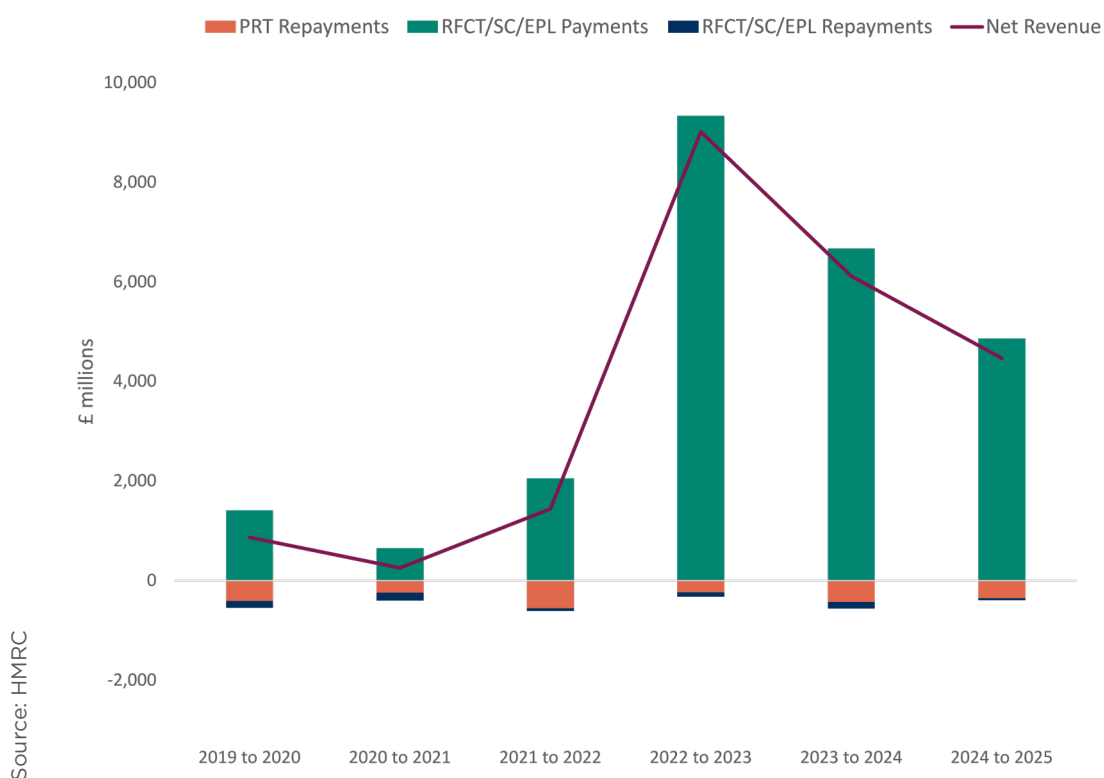
Energy Profits Levy receipts themselves declined from £3.6 billion in 2023-24 to £2.9 billion in 2024-25, a drop of £0.7 billion or 20 per cent. Offshore Corporation Tax receipts (comprising Ring Fence Corporation Tax and the Supplementary Charge) fell even more sharply, from £3.0 billion to £2.0 billion over the same period—a 34 per cent decline. The fall in revenues is attributed by HMRC to a combination of lower energy prices and reduced production.

The data also shows a clear pattern over the past six years. Net revenues across all oil and gas taxes were £0.9 billion in 2019-20 and just £0.3 billion in 2020-21. They rose modestly to £1.4 billion in 2021-22 before surging to £9.0 billion in 2022-23 when global energy prices spiked following Russia's invasion of Ukraine and the EPL was introduced. Since then, receipts have fallen back rapidly to £6.1 billion in 2023-24 and £4.5 billion in 2024-25 as energy prices eased and investment fell.

While the decline in prices has played a role, these figures reflect a deeper structural problem: the UK is taxing a shrinking base. By increasing the overall tax burden to a level that makes investment uneconomic, the EPL is accelerating production decline, reducing profits, and therefore eroding the taxable base on which both the levy and Corporation Tax depend. The result is that revenues from the EPL are already falling, even while the headline rate has risen to 38 per cent.

This trend supports the analysis published by Stifel earlier this year, which warned that the EPL would prove self-defeating. Stifel estimated that OBR forecasts for North Sea tax receipts between 2025 and 2030 are around £10 billion too high, as declining investment and output reduce profits and taxable production. The government's own figures now show that this process is underway: total offshore Corporation Tax and EPL payments peaked at £9.3 billion in 2022-23 but fell to £6.7 billion in 2023-24 and just £4.9 billion in 2024-25.

The EPL was introduced as an emergency measure to capture temporary windfalls from high energy prices. Those windfalls have now passed, but the levy remains in place at a higher rate, contributing to falling investment, declining production and shrinking tax revenues. Without policy change, this erosion of the tax base will accelerate, leaving the Exchequer with less revenue, not more.



EPL: Losing Energy Security

Britain's growing dependence on imported gas is a direct consequence of declining domestic production from the UK Continental Shelf. National Gas — the owner of Britain's transmission network — [expects gas supplies from UK offshore fields to fall by 6 per cent this winter](#) compared with last year, while imports of liquefied natural gas (LNG) are expected to rise by 7 per cent.

Overall winter supply margins are projected to tighten to levels last seen in 2019–21, largely because of the continued decline in North Sea production.

Gas currently meets 35 per cent of the UK's total energy demand, but domestic production has been steadily falling for years and reached its lowest level since 1973 in 2024. Official statistics show that production fell by 10 per cent between 2023 and 2024 alone. Norway overtook the UK as the country's largest gas supplier in 2021 and is expected to provide around 36 per cent of Britain's gas this winter, compared with 33 per cent from domestic production and 24 per cent from LNG imports.

This structural shift means that the UK's gas system, historically designed to move gas south from production hubs in Scotland, is increasingly being reconfigured to move gas inland from LNG terminals in Wales and southern England.

This trend has serious strategic and fiscal implications. As domestic production declines, the UK is becoming more reliant on volatile global LNG markets to meet its energy needs. Imported LNG is typically more expensive and exposes the UK to competition with larger international buyers, as well as to geopolitical and supply chain risks.

It also carries a far higher carbon footprint - four times that of UK-produced gas - undermining climate objectives while exporting jobs, investment and tax revenue overseas.

The fall in domestic production is not occurring in isolation. It reflects both geological maturity and a fiscal regime that has made new investment in the North Sea increasingly unattractive. The Energy Profits Levy has compounded this by deterring capital investment and accelerating production decline, as demonstrated by both HMRC's revenue statistics and Stifel's economic analysis. As domestic output falls, the UK loses the tax revenues associated with production while becoming more exposed to external supply shocks.

FINANCIAL TIMES

Britain increases reliance on gas imports as domestic supply falls

Norway overtook the UK as the largest source in 2021



Gas makes up 35 per cent of the UK's energy demand, but production from the North Sea has been steadily declining © Angel Garcia/Bloomberg

EPL: Losing jobs

There is scepticism from within government about industry projections that up to 1,000 jobs per month could be lost if EPL remains in place until 2030. However, a series of operators, supply chain companies and major industrial players have announced redundancies, restructurings or early cessations of production, directly citing the UK fiscal and regulatory environment as a key factor in their decisions. These are not hypothetical future risks - they are live impacts affecting jobs, investment and energy infrastructure today.

From Apache's early shutdown of Beryl, to Harbour Energy's 250 redundancies, Petroineos's transition at Grangemouth, and supply chain collapses like Cesscon Decom, workforce reductions have been widespread across operators, contractors, manufacturers and industrial sites.

Crucially, when making these decisions, companies have been explicit in blaming the cumulative effect of the Energy Profits Levy, escalating regulatory costs, and bans on exploration for eroding investment confidence.

This is not rhetoric — it is now a clear and measurable trend, as the table below demonstrates.

Month	Company	Announcement	Location	Jobs impact
Feb	Apache	Early cessation of production at the Beryl field due to fiscal regime pressures; workforce reductions offshore and on-shore initiated.	Aberdeen	Undisclosed
Mar	Well-Safe Solutions	Consultation on reductions as decom activity slows; onshore roles and some offshore posts affected.	Aberdeen	45 jobs lost
Mar	Hunting plc	Restructuring of EMEA; head-count reductions at Aberdeen; shifting some manufacturing to Dubai; Netherlands OCTG site to shut.	Aberdeen	Undisclosed
Apr	Petroineos	Crude processing ended; site transitioning to import terminal; redundancies commenced.	Grangemouth	400 jobs lost
May	Harbour Energy	Headcount reduction at UK unit amid fiscal headwinds.	Aberdeen	250 jobs (600 in total)
Jun	Altrad	Redundancy notices due to downturn/ cost measures by Moss Moran operator.	Fife	98 jobs lost
Jun	Kaefer	Job cuts linked to slowdown at Moss Moran.	Fife	55 jobs lost
Jun	Bilfinger	Initial redundancy notices linked to slowdown at Moss-moran.	Fife	10 jobs lost
Jul	Chevron	Aberdeen office to close Dec-2025-Dec-2026 as firm exits basin; job impact not specified.	Aberdeen	Undisclosed
Jul	Xodus Group	Job cuts across UK bases amid market conditions (energy consulting across O&G/transition).	Aberdeen	Undisclosed
Aug	Cesscon Decom	Petition to liquidate the business amid a slowdown in orders.	Livingston	20 jobs lost
Oct	Verlume	Job losses confirmed as firm rebalances toward international work (subsea batteries; O&G & offshore markets).	Aberdeen	TBC

Most of these announcements have impacted Scotland – and Aberdeen in particular. However, the oil and gas workforce is spread throughout the UK and that those being left unemployed are presenting across the country.

It is also important to examine what these companies have said about the UK fiscal regime when announcing these job cuts.

Apache has made clear that its decision to accelerate its withdrawal from the UK Continental Shelf [was driven by the impact of the EPL and wider regulatory requirements](#). Following confirmation in Rachel Reeves' first Budget that the windfall tax would rise from 35% to 38% and be extended to March 2030, the company concluded that continued investment in its North Sea portfolio had become "uneconomic."

Chief executive John Christmann said that after six months of evaluation, the investment required to comply with new regulatory obligations, combined with the "onerous financial impact" of the EPL, meant that producing hydrocarbons beyond 2029 no longer offered acceptable returns.

Sir Jim Ratcliffe, [meanwhile, has warned that the UK chemicals sector is at risk of collapse](#), with potentially devastating consequences for the North Sea. Speaking to The Times, the Ineos founder said three major chemical hubs remain in the UK — Wilton, Mossmorrans and Grangemouth — but two are expected to close, with Wilton already shut and Mossmorrans likely to follow.

The future of Grangemouth, one of Scotland's largest industrial employers, is now in doubt. The site processes gas from the Forties pipeline system, which carries more than half of all UK North Sea production. "If you close Grangemouth, you close down 60% of the North Sea," Ratcliffe warned.

His comments came as Ineos cut 60 jobs at its Hull Acetyls plant and halted dividend payments, citing soaring energy costs, carbon taxes and cheap imports. He described the situation as "grim", warning that without action, UK chemical and energy infrastructure faces rapid decline.

And Hunting, one of Britain's oldest oil and gas supply chain firms, is closing four of its five UK centres and shifting focus to the Middle East, blaming successive governments for the North Sea's decline.

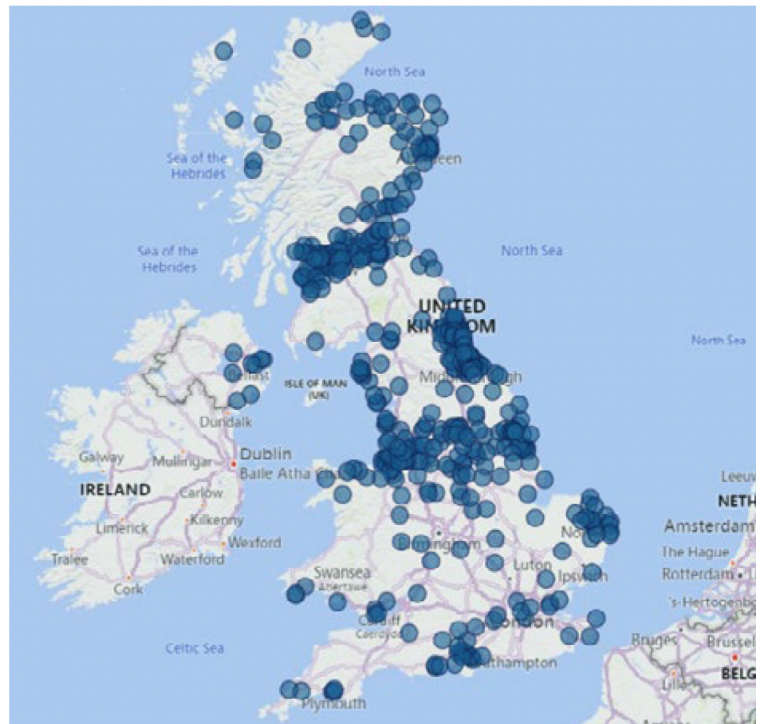
Chief executive Jim Johnson said that ["utterly ridiculous decisions" on taxation and exploration bans had crippled investment](#), leaving the UK "poorer and weaker." He contrasted Britain's stance with Norway's pro-drilling approach, warning Aberdeen's global energy status is being "flushed down the toilet."

[Harbour Energy has also stated](#) that its decision to cut 250 jobs this year (on top of the 350 cut last year) was the EPL.

Announcing the cuts, Harbour CEO Linda Cook said: "The review is unfortunately necessary to align staffing levels with lower levels of investment, due mainly to the government's ongoing punitive fiscal position and a challenging regulatory environment."

There are also more job losses to come as the mergers (Shell / Equinor, Neo / Repsol and Serica / Prax) announced in recent months move to completion in Q1 and Q2 of 2026. The integration of these businesses will undoubtedly lead to further redundancies.

Distribution of workforce of major Aberdeen based energy supply chain business



EPL: Losing supply chain

The UK is losing the very skills and supply chain capacity required to deliver its net zero ambitions, with a growing share of energy sector jobs, investment and innovation shifting overseas.

[Evidence from the 41st Energy Transition Survey](#), published by Aberdeen & Grampian Chamber of Commerce in partnership with Johnston Carmichael and D2Zero, highlights a significant and accelerating shift of activity away from the UK Continental Shelf.

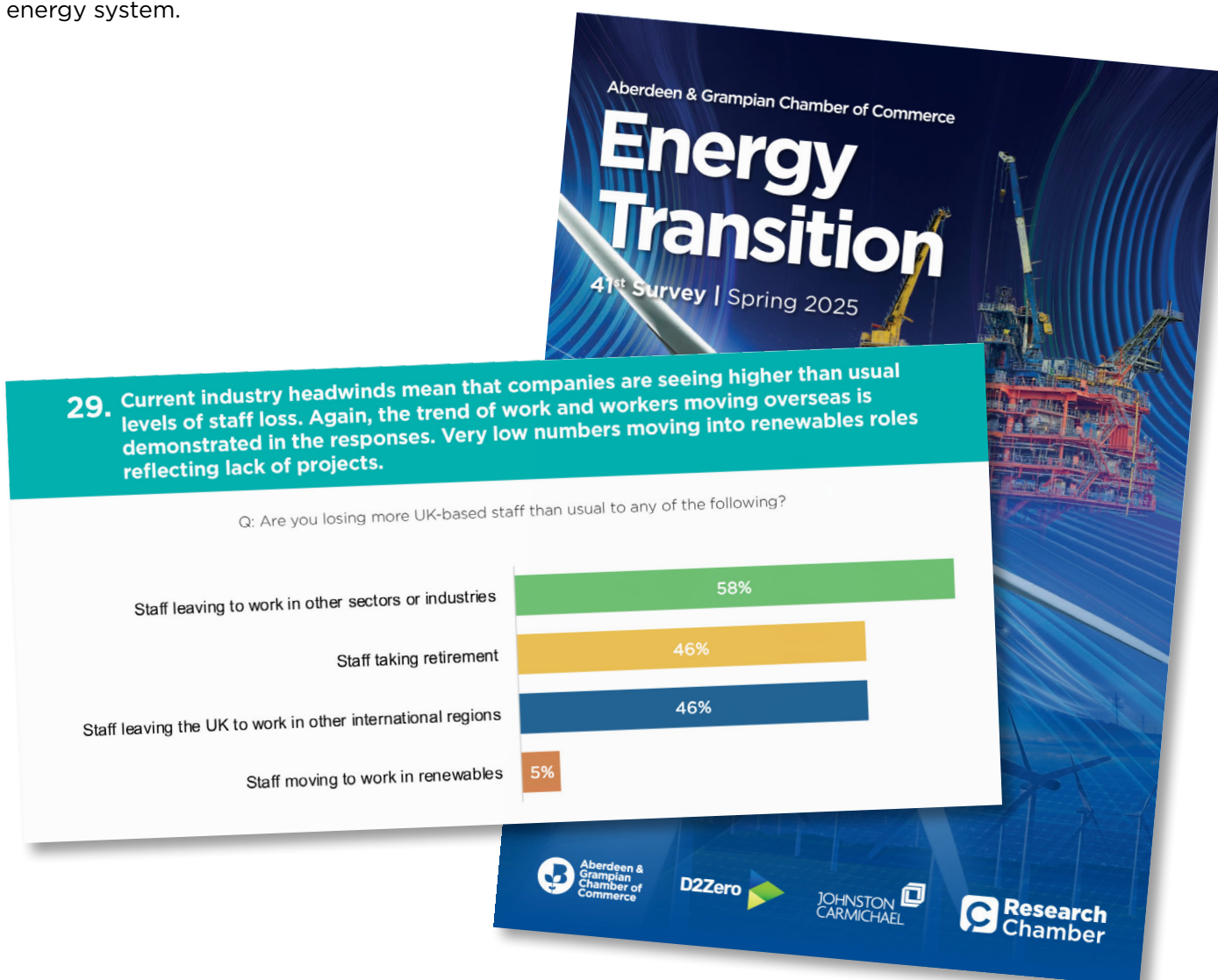
Two-thirds (66%) of firms surveyed expect to increase their overseas workforce within the next five years, while almost half (47%) report staff already leaving the UK to work in other energy regions.

Companies anticipate that the majority of their work will be based overseas by 2030, with the tipping point expected around 2027–28. This shift is driven by weak domestic confidence, uncompetitive fiscal and licensing regimes, and a lack of viable projects to retain investment and talent.

Despite stated ambitions to lead the energy transition, activity across renewables, electrification and decarbonisation technologies remains flat. The value of UK Continental Shelf work has fallen across all five categories tracked in the survey, including renewables, compared with 2022. For the first time in the survey's 20-year history, UK tax and licensing rules have overtaken commodity price and demand fundamentals as the top long-term concerns for industry.

Support for policy change is overwhelming: 91% of firms back new North Sea licences where emissions are lower than imports, and 89% say ending the Energy Profits Levy would boost investment and jobs.

Policy instability is now viewed as a bigger threat to investment than market conditions, and companies are increasingly directing capital, technology and workforce to overseas markets, particularly the Middle East, the US and parts of Europe. This represents a structural erosion of the UK's industrial base. Once supply chain capabilities move abroad, they will be difficult and costly to rebuild. Without decisive fiscal and regulatory reform, the UK risks hollowing out the critical capacity required to deliver its future energy system.



EPL: Losing opportunity

Aberdeen's economic outlook has become a clear warning signal about the consequences of policy uncertainty in the North Sea.

According to [EY's 2025 Regional Economic Forecast](#), Aberdeen (0.9%) is forecast to see the slowest GVA growth in the UK between 2025 and 2028, and is the only location over the period where average annual GVA growth is expected to be below 1%.

The report suggests that without significant interventions, the city is expected to miss out on the pace of growth in professional services seen elsewhere and is expected to see its local mining and quarrying sector, which is focused on North Sea oil, contract by an average annual rate of 0.1% over the next three years.

The report notes that Aberdeen is "uniquely exposed" to the decline in oil and gas extraction. It says that new investments in renewable energy are yet to (and may never fully) replace the lost activity and employment.

EY senior partner for Aberdeen, Moray Barber, said: "While some of the lower performing regions and cities are already in positions of economic strength, growth – especially in terms of employment and GVA – is important to maintain that position and a competitive advantage.

"Both governments are arguably ambivalent towards new investment in oil and gas production, and the extension of the Energy Profits levy to 2030 has also acted as a barrier to investment – this despite energy price shocks over recent years, and the geo-political exposure of the UK and European economies' reliance on imported oil and gas.

"Aberdeen continues to acutely feel the uncertainty over the UK's energy future, and we're seeing the reality of the resulting lack of confidence in these figures. The Chancellor's upcoming Spring Statement – as well as the recently announced consultation to a successor regime to the Energy Profits levy – is an opportunity to reset and offer some much-needed assurance.

"If a sentiment change in global energy policy is triggered by moves in the US, then we could see an increase in finance flow into local projects and initiatives that are greatly needed if true energy transition – and revolution – is to be realised. Without it, then local jobs, our vibrant supply chain economy and the very future of the UK's energy security continues to hang in the balance."



Replacing the EPL: The prize to be won

However, this does not need to be the case, and there is significant fiscal upside for the UK from using the North Sea to produce a greater percentage of the 13-15 billion barrels of oil and gas which the Climate Change Committee estimates the country will require between now and 2050.

We believe that doing so could generate more than £100 billion of additional revenue for the Exchequer through the remaining life of the basin, delivering receipts of £164 billion versus a current projection of £56 billion.

It would also delay some of the UK Government's decommissioning liabilities – estimated to be around £10.8billion – and would shield our world class energy workforce and supply chain from job losses as we build out our nascent renewable energy sector.

Policy recommendations

- Remove the Energy Profits Levy and return to a 40% tax rate to stimulate investment.
- Replace the ban on new licences with a policy that takes demand and emissions into account.

To quote the Chancellor: Where things are made, and who makes them, matters. For as long as we require oil and gas, we should produce it here, where we can do so with lower emissions and retained economic benefit.

Future scenarios

This short paper sets out three production scenarios for the UK Continental Shelf (UKCS), exploring their potential fiscal return. The scenarios are based on the UKCS potential of 26.5 billion barrels of oil equivalent (bnboe) and reflect different levels of policy ambition, regulatory support, and investment appetite.

Scenario	Est. recovery	Est. tax revenue	Assumptions
Low case	2.6bn barrels 17% of UK need	£56billion	No new project sanctions or exploration. Only producing and under-development fields contribute.
Medium case	4.3bn barrels 29% of UK need	£93 billion	Improved investor sentiment alongside the development of near-term and some commercial discoveries.
High case	7.5bn barrels 51% of UK need	£164 billion	Major regulatory and fiscal reform, with full development of commercial and some technical discoveries. Active exploration.

1. Low case scenario:

The low case reflects a restrictive policy and regulatory environment in which no new exploration licenses are awarded and no new development projects receive approval. Production is therefore limited to existing assets and those already under development.

This scenario represents a conservative baseline, with an estimated recovery of 2.57 bnboe, just 10% of total UKCS potential. It results in a sharp production decline from 2026 onwards, contributing to a growing reliance on imported fossil fuels. This decline is further exacerbated by the risk of early hub closures, triggered by underinvestment and the loss of economies of scale.

In terms of emissions, reduced domestic production may lower upstream emissions but could paradoxically lead to higher global emissions due to an increased dependence on imported energy. Import substitution risks undermining the UK's overall decarbonisation efforts.

From a fiscal perspective, the low case yields minimal returns. Most revenues would come from declining legacy assets, with little to no new tax generation beyond what is already forecast. Estimated tax revenues under this scenario amount to £56.1 billion, assuming an average oil and gas price of \$70 per barrel of oil equivalent, a 40% effective government take, and a USD/GBP exchange rate of 0.78.

Furthermore, this scenario brings with it an acceleration of the UK Government's decommissioning liabilities, which run into billions of pounds.

It is worth adding that in a low-case scenario, the Robert Gordon University (RGU) has forecast that the UK's direct oil and gas workforce - currently around 115,000 - could drop to between 57,000 and 71,000 by the early 2030s. That would mean losing roughly 400 jobs every two weeks, equivalent to the workforce of the Grangemouth oil refinery, over the next five years.

2. Medium case scenario:

The medium case assumes a more supportive investment climate, resulting in the development of near-term and commercial discoveries. While it still involves limited exploration success, it allows for continued utilisation of existing infrastructure and extends field life across some assets.

Estimated recovery under this scenario increases to 4.26 bnboe, equivalent to 16% of UKCS potential. The scenario helps slow the projected decline in production, providing a moderate buffer to UK energy security and reducing import dependency in the medium term.

This scenario could support emissions reductions by enabling greater use of existing electrified hubs. The actual emissions trajectory would depend on how much of the new production can be integrated into lower-emission infrastructure.

On the fiscal side, this pathway offers a moderate uplift in tax revenues relative to the low case.

Development of additional fields would extend the tax base and prolong asset lifespans. Total estimated tax receipts in this scenario rise to £93 billion.

3. High case scenario:

This scenario reflects a transformative shift in both policy and investor sentiment. It assumes full development of all viable commercial discoveries as well as a portion of technical and prospective resources. This would likely require fiscal and regulatory reforms, streamlined project approvals, and a more stable long-term investment framework.

This case unlocks a total of 7.5 bnboe, which is 28% of UKCS potential. It represents the highest level of domestic production and would substantially reduce UK reliance on imported energy. From a security of supply perspective, this is the most robust scenario, ensuring a higher degree of resilience during the energy transition.

Alignment with net zero goals is potentially strong, though contingent on parallel progress in emissions mitigation. Assumptions include the electrification of hubs, aggressive decarbonisation of production facilities, and policy support for lower-emission operations.

Crucially, this scenario offers the most significant fiscal upside. Assuming a similar price and taxation regime as the other scenarios, estimated tax revenues reach £163.8 billion - almost triple the return projected in the low case.

If ambitious targets are met - such as delivering an extra 35 GW of offshore wind capacity while sustaining oil and gas operations - RGU estimates the UK could support over 210,000 offshore energy jobs.

Conclusion

These scenarios present a clear trade-off between policy restrictiveness and the economic, fiscal, and energy security benefits of a thriving domestic oil and gas sector. While the low case minimises upstream activity and its associated emissions, it does so at the cost of higher imports, reduced resilience, and substantially lower tax revenues.

By contrast, the medium and high cases offer significantly greater recoverable reserves, stronger alignment with national energy goals, and markedly higher tax contributions - provided that fiscal and regulatory certainty can be established.

A strategic shift that unlocks greater volumes of UKCS potential, while simultaneously accelerating electrification and emissions reductions, could offer a pathway that supports both energy transition and fiscal sustainability.