Aberdeen & Grampian Chamber of Commerce

Energy Transition

39th Survey | Spring 2024



Aberdeen & Grampian Chamber of Commerce

ETZ ENERGY TRANSITION ZONE

KPMG

Research Chamber



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Sponsor forewords

The starting gun on the General Election has been fired and the race to net zero is set to be a hot topic of debate across our political and public discourse as we approach polling day.

Unsurprisingly, the latest survey highlights political and regulatory uncertainty as being a key barrier to unlocking the investment required to ensure, as far as energy transition is concerned, the North-east of Scotland emerges as a global winner.

The views of our industry base and supply chain speak for themselves so now is the time for action, not simply words, from our politicians. Whatever the outcome on July 4, we must have stable policy signals for investors to get on with the business of the energy transition. We can supercharge our renewables revolution by injecting pace and momentum to get ahead in what is a global race.

I urge political debate to focus on the need for a joined-up industrial plan recognising the lasting, vital role the energy industry plays. Our governments, both at Holyrood and Westminster, must fully appreciate this unprecedented opportunity to support decarbonisation and lasting industrial and jobs benefits to communities across the North-east, Scotland and the wider UK.

Because if we needed any reminding of the sheer scale of the opportunity before us in terms of realising that ambition, the recent consent for the Green Volt INTOG project, Europe's first commercial scale floating wind farm, does exactly that.

This project will unlock around £3billion of investment, of which almost £800million will be in Scotland. The developers of Green Volt, Aberdeen-based Flotation Energy and Vårgrønn, have already committed to utilising 'significant local content' and the job of ETZ Ltd is to try and ensure as much of this investment supports supply chain companies across the region.

That is precisely why ETZ's very first strategic investment was to partner with ORE Catapult to deliver the world's first Floating Offshore Wind Innovation Centre which is specifically designed to test the different technologies to de-risk and lower the cost of commercialising this sector.

Of course, Green Volt is just the first of many floating offshore wind projects that will follow through the INTOG and ScotWind rounds and is worth highlighting, indeed shouting from the rooftops, that 73% of the global floating pipeline is within Scottish Waters.

So this region is blessed with the two vital ingredients for success – we have the unrivalled pipeline of projects and the skills and company base required to deliver them. Now added to that we are beginning to see the investment decisions that is providing confidence that ambition will indeed become a reality.

ETZ is fostering an ecosystem, underpinned by innovation and skills, for offshore wind to thrive. We are taking the best learnings of our world-class oil and gas sector and seeking to emulate that experience for new and green energy.

As well as Offshore Floating Wind we have a focus on Green Hydrogen and Carbon Capture & Storage as well – there are extensive and significant opportunities for us to capitalise on in these sectors too.

The survey reminds us there is a lot to be positive about – a huge appetite for transition across respondents- but there is a lot of work to be done and challenges to be overcome. I have no doubt that our pioneering company base is ready and willing to ensure this region is at the vanguard of this transformational process but a helping hand from the next incumbent of No 10 Downing Street would go a long way if we are to successfully position ourselves as global leaders in energy transition.



ETZ
ENERGY TRANSITION ZONE

Maggie McGinlay
Chief Executive
Energy Transition Zone

KPMG continues to be proud of our sponsorship of the Energy Transition Survey and I hope you enjoy reading this, the 39th edition of our temperature check on the North-east Scotland region, its businesses and its future.

Once again, the survey has been a collaborative effort led by the Aberdeen & Grampian Chamber of Commerce in partnership with KPMG and ETZ Ltd and aims to give you a snap-shot of the energy sector's current mood and invaluable insights into its ongoing transformation. The long-running nature of this survey, however, means that it also offers an extremely extensive dataset examining the resilience of the sector and the region through historical crises, showing us the potential for recovery and growth, even in the most challenging times.

This edition tells us that the majority of companies remain optimistic about the long-term future of Aberdeen and its place on the world stage as a major energy hub. They still expect continued revenue and profitability growth beyond 2024, indicating that businesses are generally pivoting successfully as production activity decrease in all territories. The majority of respondents expect to need further UK headcount to drive these increases in revenue, and there appears to be every confidence that this is required well into the future. There's some evidence of returning confidence that the right skills can be acquired in the long-term, even if immediate recruitment concerns remain largely unchanged.

The survey notes decarbonisation as an increasing factor in their activities. Decommissioning work remained relatively static in the UK, but companies saw a boost in such activities beyond the UK Continental Shelf (UKCS). The starkest insight in this area however, and the point that should give us all greatest pause, notes the continued decrease in confidence in the specific future of UKCS and a widening gap between this outlook and the overseas activities outlooks reported.



The optimism expressed by the majority of firms is seemingly born out of an expectation that future growth is likely to arrive from the international arena. Issues such as the 2024 general election, UK political instability in the last year, UK tax policy and overall UK market uncertainty understandably weigh very heavily on the minds of those who responded, outstripping concerns over the oil price for the first time. In relation to this uncertainty of direction and focus, we saw the Scottish Government roll back on their target to reduce Greenhouse Gas (GHG) emissions by 75% by 2030 as "out of reach". This came off the back of Scotland missing eight of its annual targets, making the legal obligation for the 2030 goal unachievable according to the Climate Change Committee (CCC).

This difficult climate is seen as a significant barrier to the speed of UK diversification to renewable energy and is closely tied to the investment decisions being made in this area every day. Profitability and Return on Investment (ROI) have long been concerns in this survey when pivoting to renewables, and so it's perhaps obvious that the speed of transition slows under the weight of such uncertainty. It's also telling that initiatives such as the Just Transition Fund and the Offshore Wind Supply Chain Fund, specifically created to support renewables growth and secure local jobs are not well understood by the businesses they are intended to benefit. To me, this says that there is more we can all do to educate and to seek education, in order to access funding that has been specifically earmarked, and to further drive and support an innovative mindset in our region.

With this in mind, and as someone with a personal focus on assurance and reporting, I note the further erosion of those businesses who agree that their external transition credentials are critical to long-term success. Although more businesses have deadlines attached to their stated net zero strategies than previously seen, 43% of businesses either still didn't have a net zero strategy or were unaware of whether such a strategy existed. Fewer businesses have any intention to accelerate current strategies, which tallies with a "wait and see" approach. I'm a firm believer that we can only drive improvement in what we can quantify and track and it's great to see that 95% of those who did have a strategy in place still felt that progress was being made.

The transition is an everyday reality, and our local ability to drive its speed will determine whether Aberdeen remains at the forefront of innovation and development, or risks falling behind. At the same time, the UK election and its associated rhetoric is creating uncertainty that will stretch into 2025 and our survey respondents are clearly saying they believe its negatively impacting the UK industry.

Overall, it's a picture of local businesses confident in their skills and abilities, and increasingly applying them beyond our shores. It's clear that, before investing in the UKCS, everyone just wants to know which way the wind will blow. Waiting is wasted time on the global stage though and it's critical that Aberdeen remains focussed on securing its prime position in the transition.

Paula Holland
Office Senior Partner, KPMG, Aberdeen

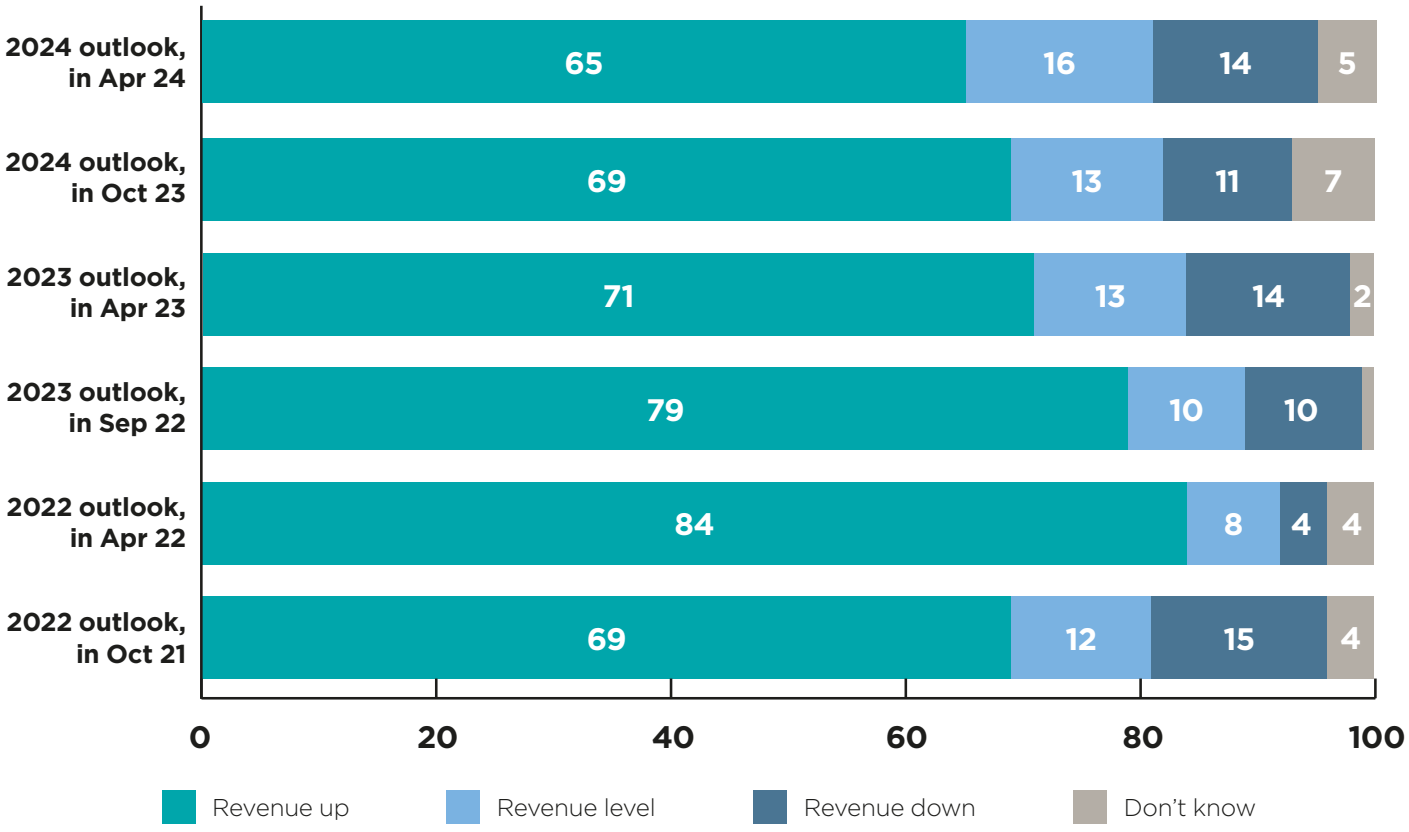
Sector trends and outlook talking points



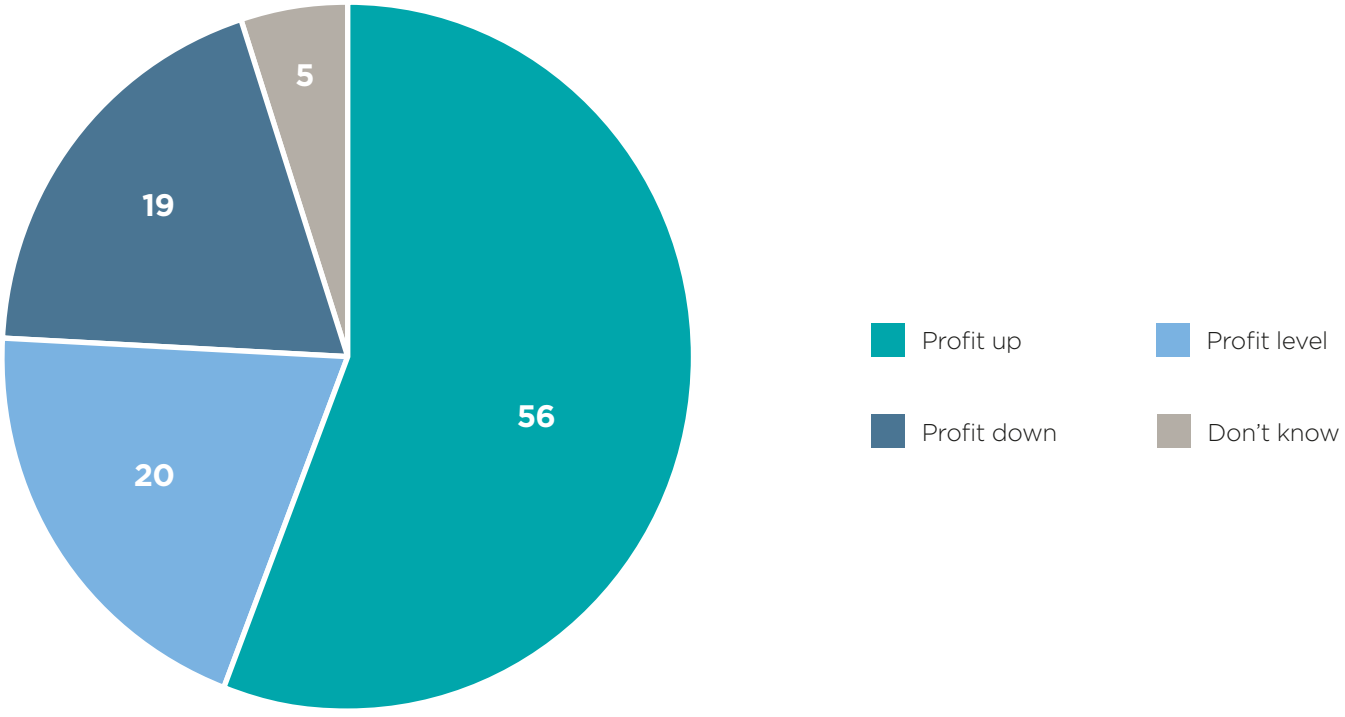
- The marginal consensus among industry leaders is that revenue will climb in 2024, however this is set against a trend of declining optimism, with the level of businesses predicting that revenue will be up (65%) its lowest since 2020. 56% of businesses feel their profits will increase in 2024, lower than in the previous survey.
- This survey reveals a persistent decline in exploration-related activities, and a notable decline in production with decommissioning and renewables remaining fairly static. For the first time we asked about activities to decarbonise existing operations, which emerges as a high-value area (27%).
- With the exception of production, all other activities outside of the UKCS have increased with the biggest shift coming in decommissioning related work (from 8% to 24%). This supports the evidence that businesses are focusing their efforts on overseas markets.
- Government policy continues to be the most important factor influencing the level of business activity. Skills/workforce availability are also an increasingly key issue.
- Concerns relating to energy security have increased in this survey (from 27% to 40%), reflecting geopolitical factors.
- UKCS confidence is at a record low. This is predicted to worsen over a 5 year horizon with net optimism at -69%. In contrast international activities continue to strengthen with medium term confidence increasing further.

1. The marginal consensus among industry leaders is that revenue will climb in 2024, however this is set against a trend of declining optimism, with the level of businesses predicting that revenue will be up (65%) its lowest since 2020. 56% of businesses feel their profits will increase in 2024, lower than in the previous survey.

Q: To what extent do you expect your organisation's revenue to change in 2024, compared to 2023:



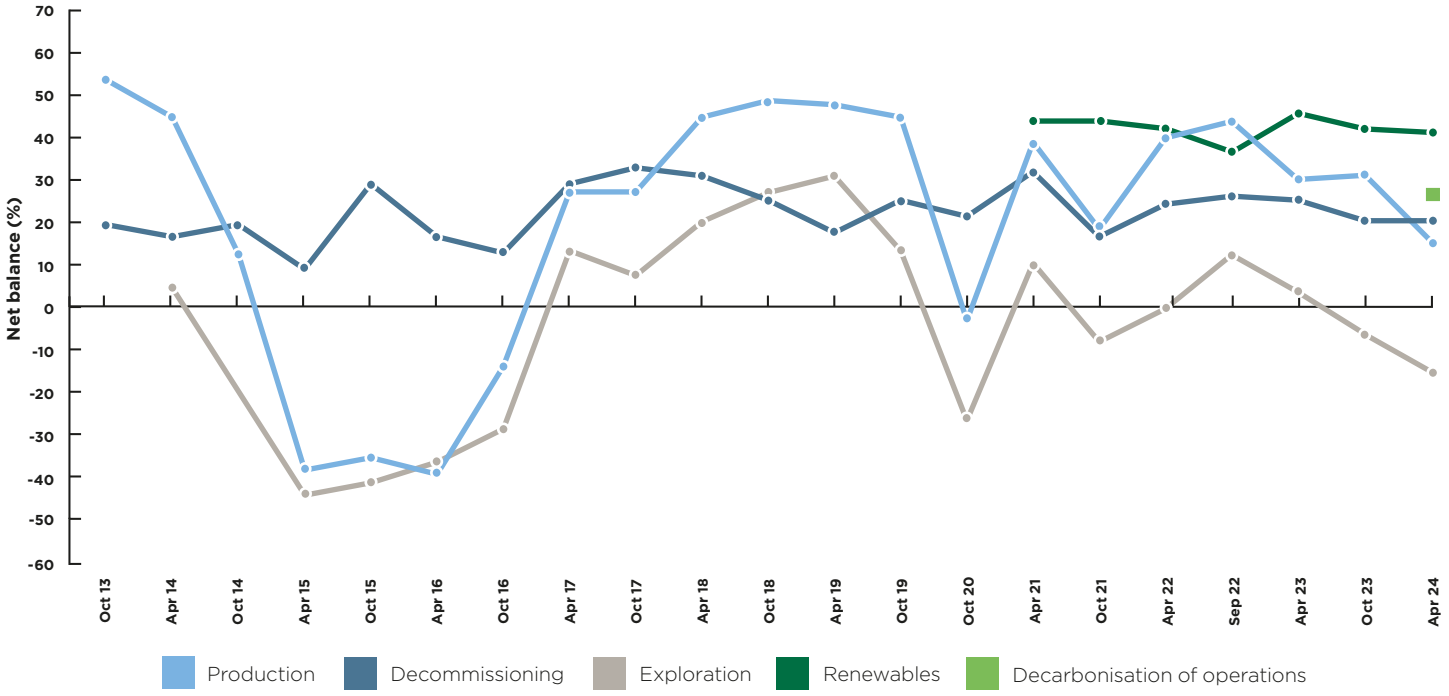
Q: To what extent do you expect your organisation's profit to change in 2024, compared to 2023:



(% sector view of revenue/profit change v previous year)

2. This survey reveals a persistent decline in exploration-related activities, and a notable decline in production with decommissioning and renewables remaining fairly static. For the first time we asked about activities to decarbonise existing operations, which emerges as a high-value area (27%).

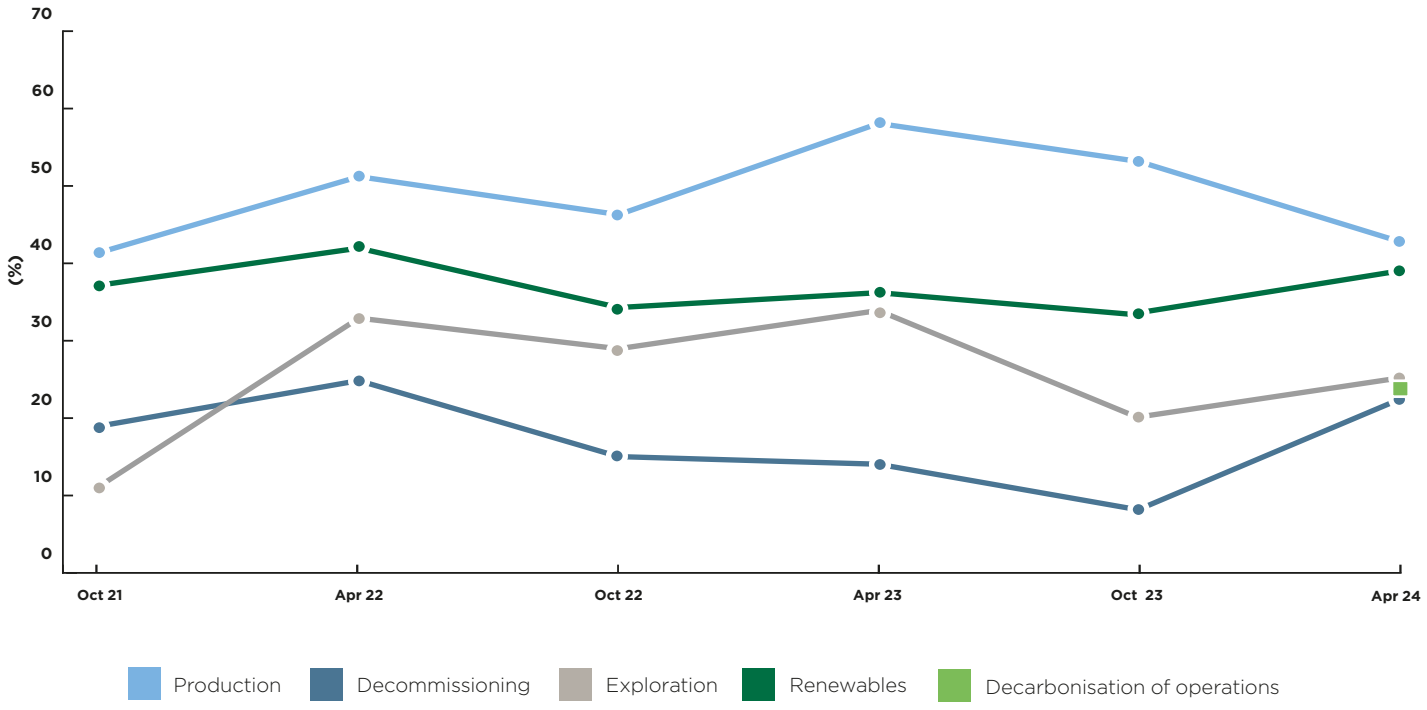
Q: What are the trends in the total value of your organisation's work in the UKCS of:



(% up minus % down)

3. With the exception of production, all other activities outside of the UKCS have increased with the biggest shift coming in decommissioning related work (from 8% to 24%). This supports the evidence that businesses are focusing their efforts on overseas markets.

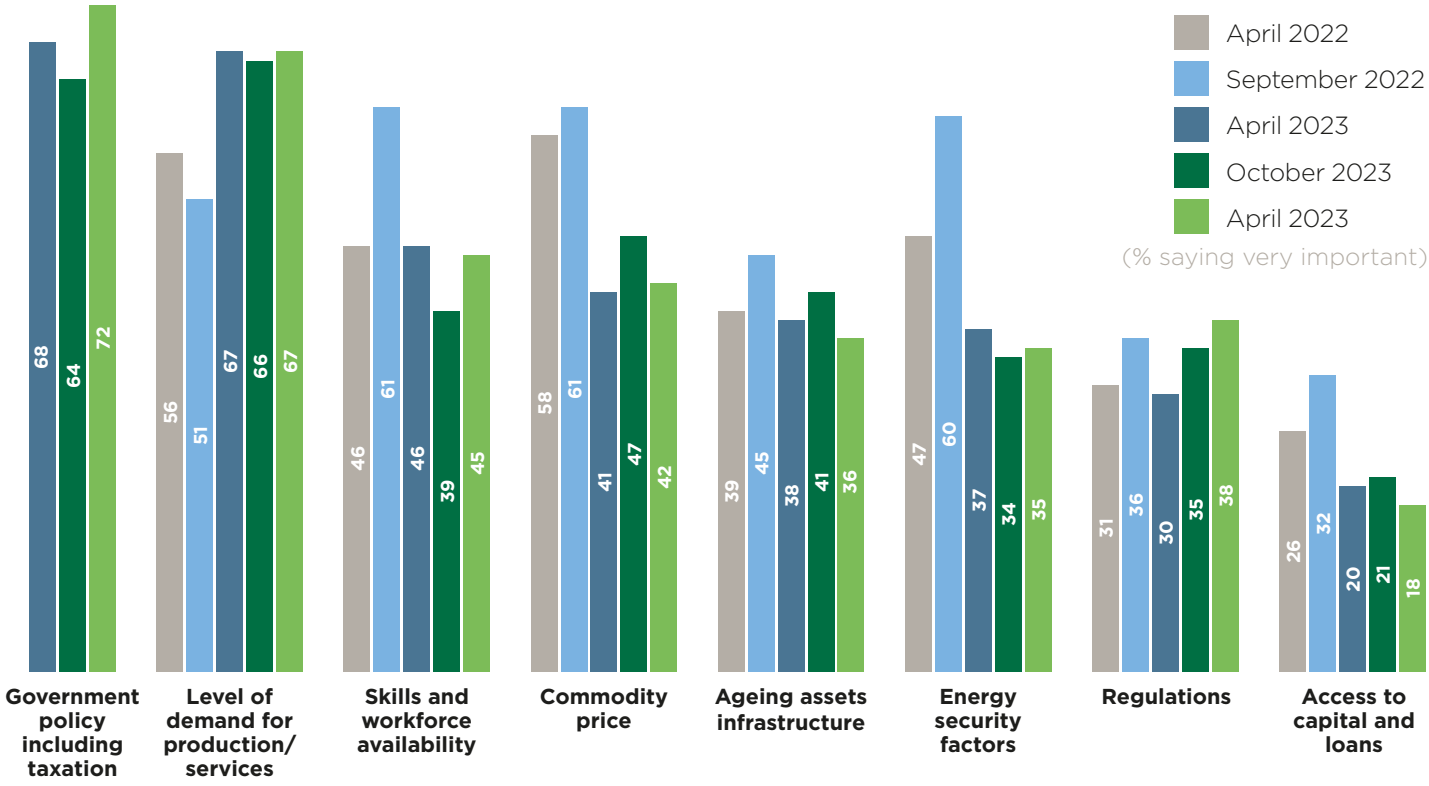
Q: What are the trends in the total value of your organisation's work outside the UKCS:



(% up minus % down)

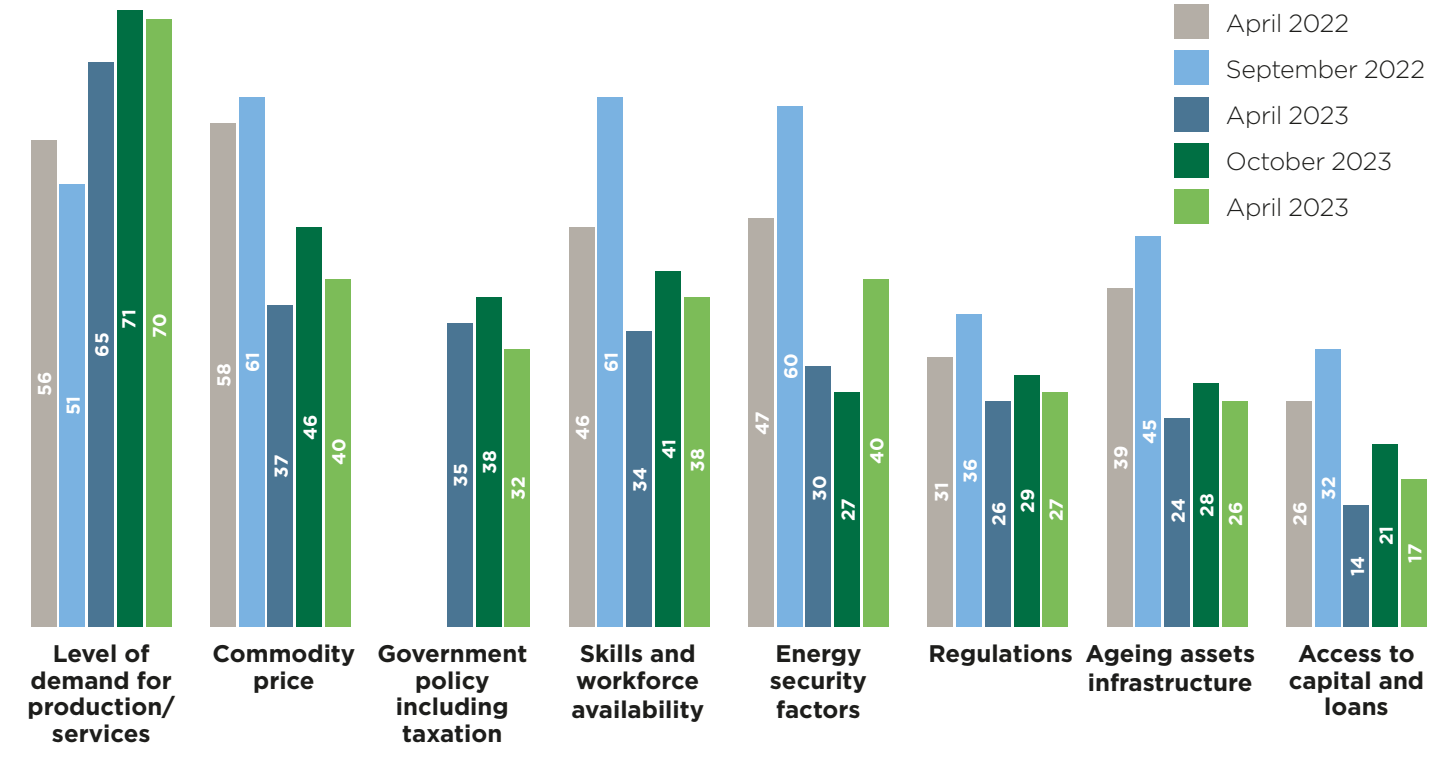
4 a). Government policy continues to be the most important factor influencing the level of business activity. Skills/workforce availability are also an increasingly key issue.

Q: UKCS; How important are the following factors in the level of activity over the next year?



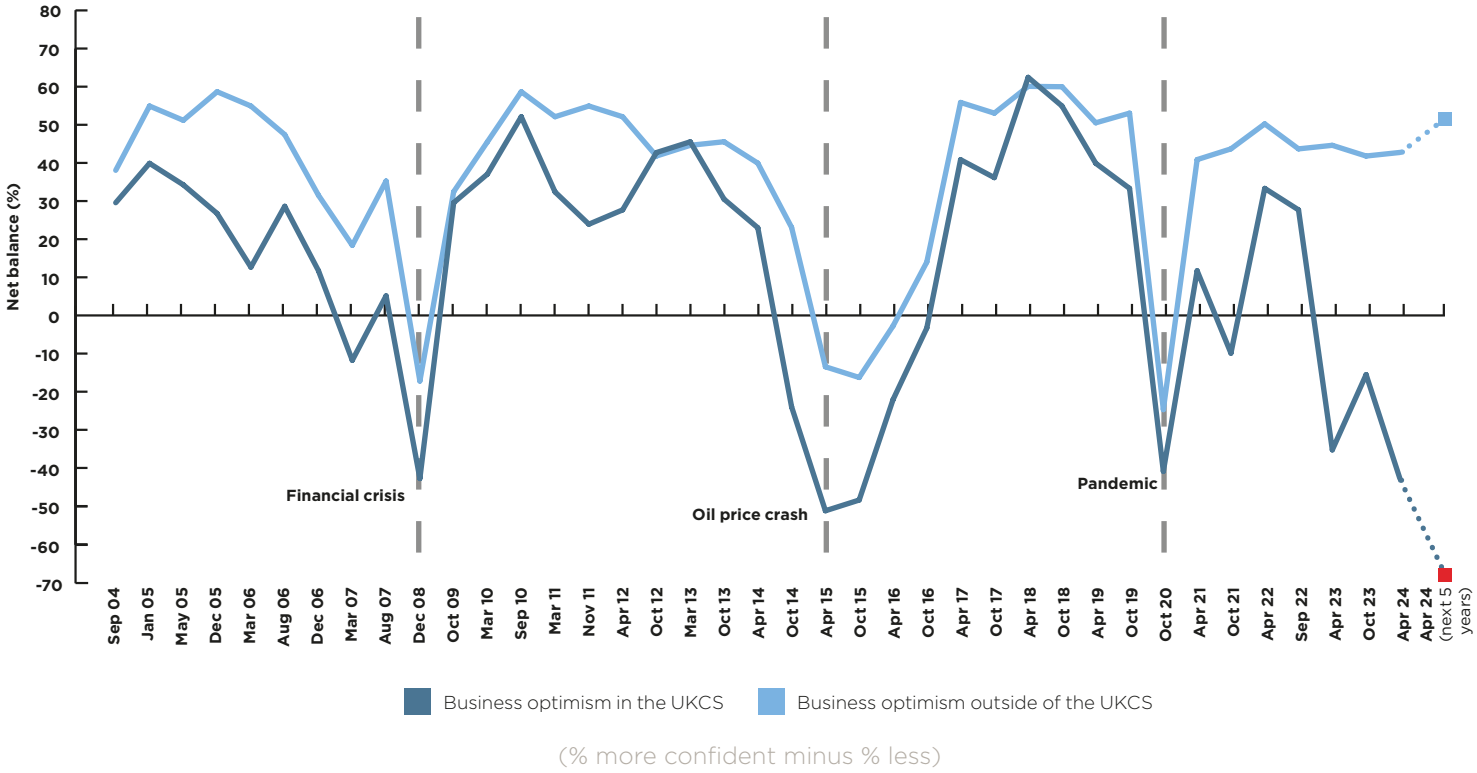
4 b). Concerns relating to energy security have increased in this survey (from 27% to 40%), reflecting geopolitical factors.

Q: Outside UKCS; How important are the following factors in the level of activity over the next year?



5. UKCS confidence is at a record low. This is predicted to worsen over a 5 year horizon with net optimism at -69%. In contrast international activities continue to strengthen with medium term confidence increasing further.

Q: Compared to 12 months ago, how confident are you about the business situation in the oil & gas sector in the UKCS and outside of the UKCS over the next year and 5 years?



(% more confident minus % less)



Energy Transition Case Study - Stork



We bring almost half a century's worth of asset integrity and maintenance experience to a wide range of energy and industrial sectors. Partnering with our clients throughout their facility's entire life cycle, Stork supports them every step of the way - from planning and design through to development and construction, as well as commissioning, maintenance, late-life management and decommissioning.

Guided by our purpose, 'Maintaining a Better World,' we are committed to creating meaningful change. 'Maintaining' is what we do; 'a Better World' is the value we add for all our stakeholders.

Explain the energy transition journey your company has been on:

It has been a transformative process, marked by a shift towards lower carbon energy sources, increased efficiency and a commitment to sustainability across our operations.

Decarbonising our own footprint:

Over the last several years, we have conducted thorough assessments of our energy usage and associated environmental impact that has informed our decision-making process. We then developed a comprehensive strategy to reach and maintain our ISO 14001 and 50001 accreditations, which have allowed us to further drive energy and environmental goals within the business.

As part of this, we have adopted the use of green and renewable energy providers across our UK sites; supporting utility companies in delivering clean energy. In other efforts to reduce our carbon footprint, we have introduced onsite electric vehicle charging docks for staff to utilise, plus electrically driven forklifts for our yards, automatic workshop entrances to our bases helping to retain heat, as well as efficient lighting units throughout our offices. These incremental improvements not only reduce our carbon footprint but also contribute to cost savings and operational efficiencies.

Supporting our clients' goals:

Sustainability is fundamental to how we carry out business. In areas we can influence change, we strive to do so. We support our clients across a spectrum of industries by assessing the condition of their existing facilities, identifying a range of emission reduction opportunities, supporting in the development of business cases, discussing their aspirations in current and future sectors, and then implementing the right solutions, bespoke to their needs.

In addition to this, we actively engage with original equipment manufacturers (OEMs), regulatory and leading industry bodies to keep our finger on the pulse of the latest advancements, while driving innovations in our own areas of expertise. One such area we have excelled in over the years, is the use of multi-skilled teams on our clients' sites. This reduces the number of individuals required to carry out projects, while driving down the carbon footprint associated with mobilisations. Where possible, we have also adopted remote digital inspections, enabling our subject matter experts to be in the field virtually with our technicians.
A key element within our industrial services offering is access solutions. We launched a flagship repurposing unit to refurbish and reuse scaffold boards where practical. This again will help towards lowering our clients' overall material use.

In parallel, we engage with stakeholders, including our employees, suppliers, and the local community, to raise awareness and foster a culture of sustainability. Through employee training programmes, community outreach initiatives and partnerships with environmental organisations, we are working to drive positive change, both within our company and beyond.

What advice would you give to businesses embarking on a similar journey?

Our advice would be to start at the beginning. Businesses should assess their current place within the energy transition – their own carbon footprint, as well as the sustainability enhancing elements of their offering to clients.

Recently, Stork pledged to EcoVadis; a globally recognised assessment platform that rates businesses' sustainability based on key categories: environmental impact, labour, human rights standards, ethics and procurement practices. This assessment works hand in hand with our core environmental, social and governance (ESG) and net zero ambitions, providing coherent and deliverable actions.

By having a clear picture of where change can be both meaningful and sustainable, it will increase the efficiency of your efforts. Change will also take time and incremental enhancements add up.

By maintaining a better world, we are committed to adding value to our clients' operations; helping to make them more sustainable, while also decarbonising our own footprint.

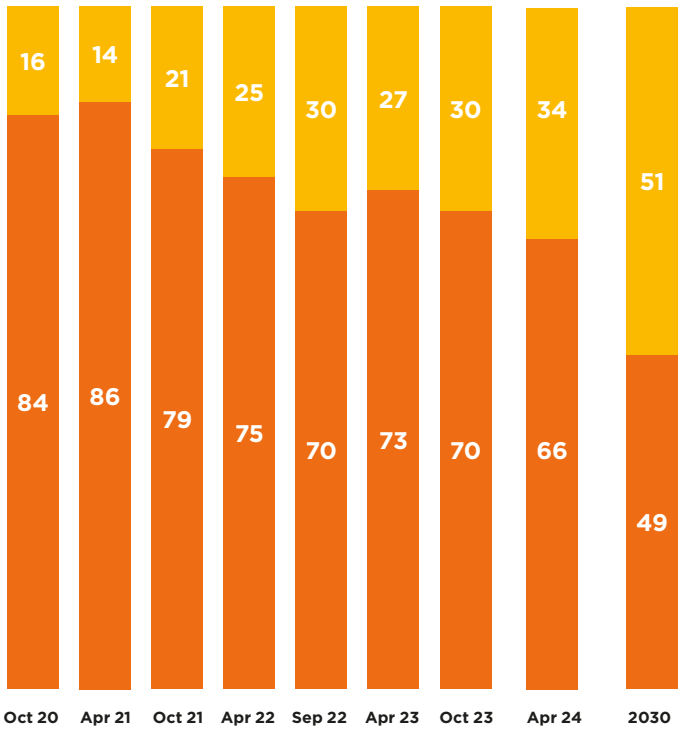
Sector diversification talking points



- Business activity outwith oil & gas at its highest recorded level (34%), with significant growth in geothermal subsea activities, grid/infrastructure and decommissioning. Around half of activity forecast to be focused on new energy activities by 2030.
- 64% of respondents are either actively or organically diversifying their operations from oil & gas (similar levels to last survey).
- The political environment, market stability and regulation/tax are the biggest long-term concerns for sector businesses.
- In addition, profitability/ROI, availability of skills and the factors in question 8 are translating directly into challenges around energy transition/diversification. Additionally a new question revealed that pace, planning and grid are also barriers.
- Nearly all respondents increasingly believe the Aberdeen / North-east energy sector will play an important role in providing UK energy security and leading the UK's energy transition ambitions.
- Despite the headwinds, there remains a strong sense of optimism regarding the UK, Scotland, and Aberdeen's role as pioneers in developing clean energy technologies and operations to help achieve net zero targets.

6. Business activity outwith oil & gas at its highest recorded level (34%), with significant growth in geothermal subsea activities, grid/infrastructure and decommissioning. Around half of activity forecast to be focused on new energy activities by 2030.

Q: What is the breakdown of your business activities today and forecast at 2030?



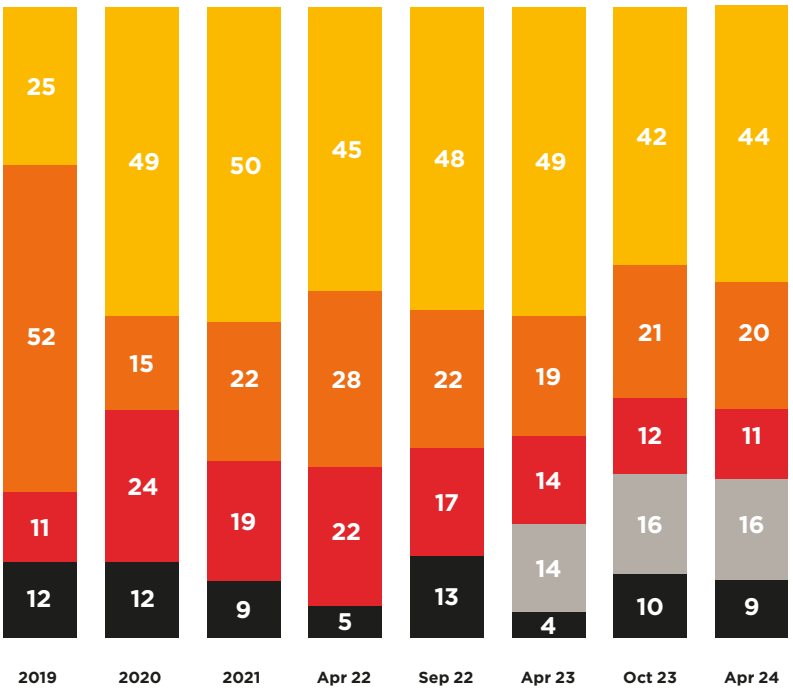
	Current % Apr 2024	% Oct 2023	Expected % at 2030
Total Non-Oil & Gas	34	30	51
Offshore wind	3.6	4.3	7.2
Other (geothermal, Marine, waste to energy, ...)	5.9	4.9	6.8
Decommissioning	10.6	6.7	12.7
Subsea engineering	3.4	1.7	2.7
Carbon capture & storage	2.0	2.8	5.2
Hydrogen production and/or transportation	0.6	0.9	3.0
Onshore wind	1.1	0.8	1.7
General/civil engineering	1.6	2.4	2.1
Nuclear	0.6	0.8	1.9
Power generation	0.9	1.7	2.4
Solar	0.4	1.1	0.6
Electrification	1.4	0.9	1.9
Grid/infrastructure	1.5	0.7	2.5

% business outwith oil & gas % business in oil & gas

Note: 2030 data drawn from the April 2024 survey. Data is the mean. (figures shown in %)

7. 64% of respondents are either actively or organically diversifying their operations from oil & gas (similar levels to last survey).

Q: Which of the following best describes your business' strategy and approach to energy transition?



- Actively diversifying outwith O&G
- Organically increasing non O&G
- Don't plan to change O&G proportion
- Increase activities in O&G
- None / Don't know

Q: If diversification is of low or no interest to your organisation, please tell us why?

The majority of respondents referenced their expertise and skill sets sitting within oil & gas, with increasing opportunities of working overseas.

"We are an oil & gas company. We are developing a business in CSS but the principle drive will always be oil & gas."

"We will actively pursue all opportunities and continue do so as long as there is a demand for our products and services."

"Our strategy is to stick to the oil & gas markets we know and to develop our business where the demand is, i.e. overseas."

8. The political environment, market stability and regulation/tax are the biggest long-term concerns for sector businesses.

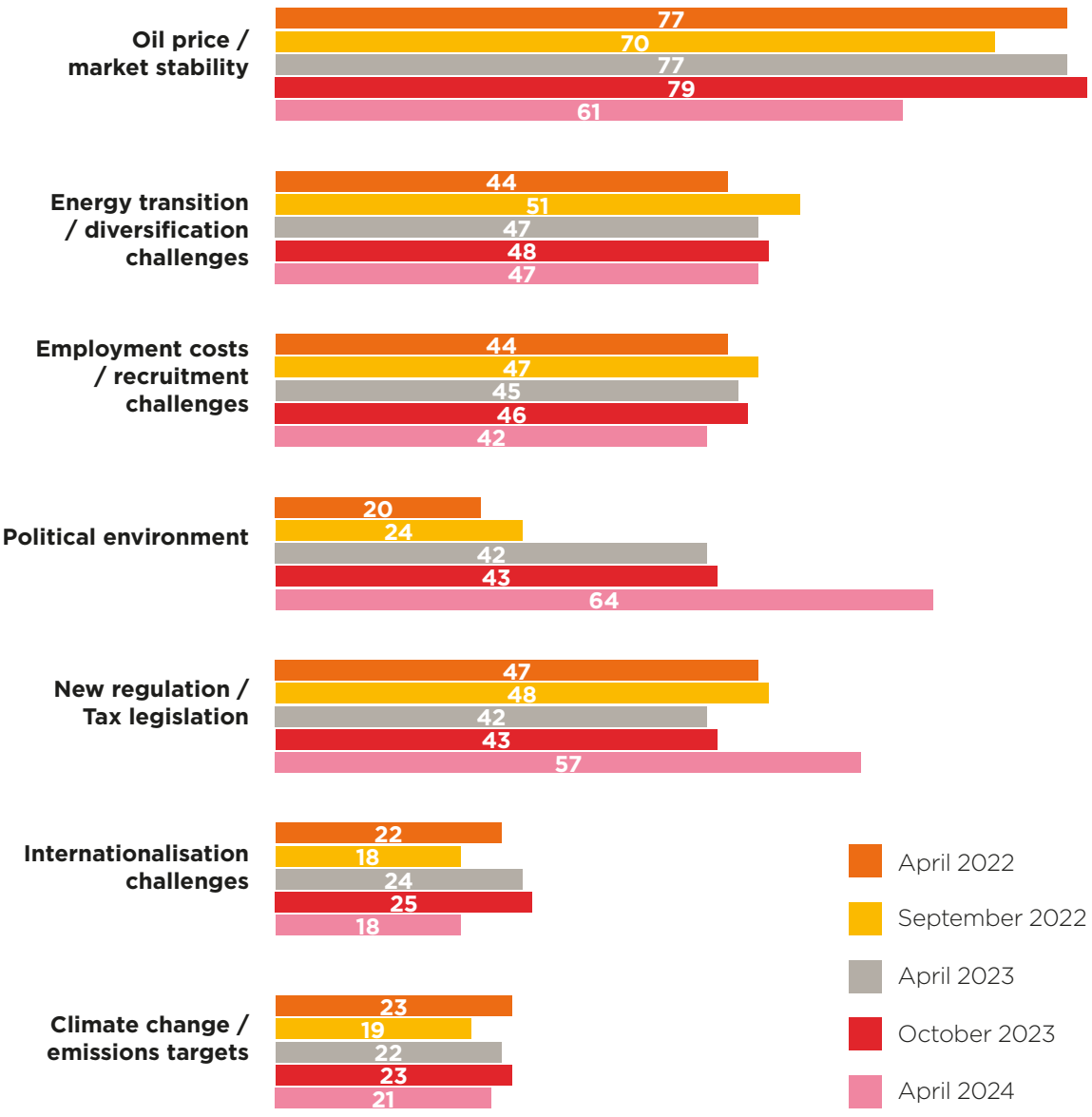
Q: : What are the top three concerns for your organisation's long-term future (i.e. next 10 years)?

The table below displays the number of businesses that selected that option

	Total	Total Oct 23
Political environment	64	43
Oil price / market stability	61	79
New regulation / tax legislation	57	43
Energy transition and diversification challenges	47	48
Employment costs and recruitment challenges	42	46
Climate change and emissions targets	21	23
Internationalisation challenges	18	25
Other	8	2

(count not %)

Q: What are the top three concerns for your organisation's long-term future (i.e. next 10 years)?



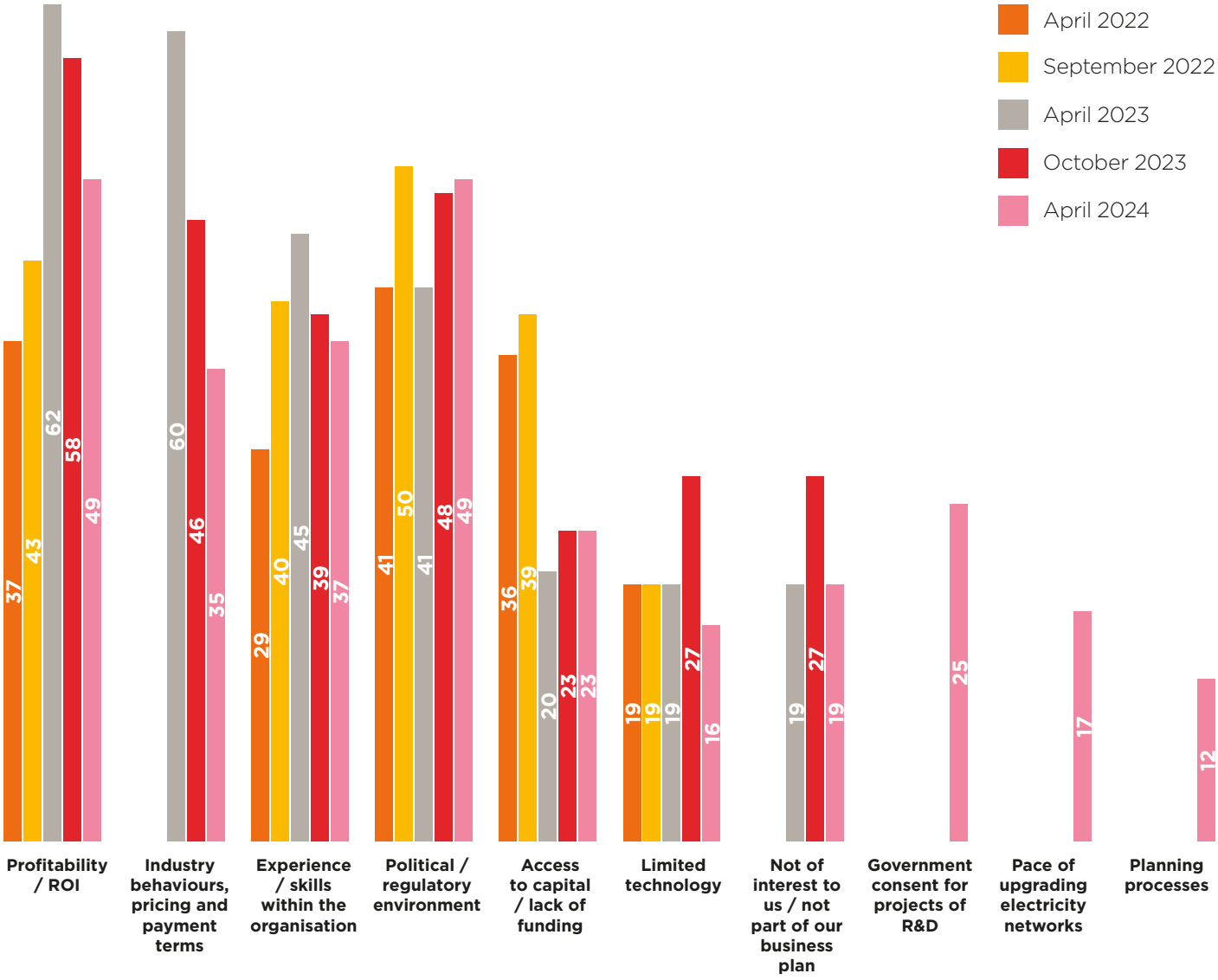
9. In addition, profitability/ROI, availability of skills and the factors in question 8 are translating directly into challenges around energy transition/diversification. Additionally a new question revealed that pace, planning and grid are also barriers.

Q: Which of the following do you consider as the main barriers / challenges to diversification into renewable energy?

The table below displays the number of businesses that selected that option

	Total	Total Oct 23
Political / regulatory environment	**49**	48
Profitability / ROI	**49**	58
Experience / skills within the organisation	**37**	39
Industry behaviours, pricing and payment terms	**35**	46
Government consent for projects	**25**	-
Access to capital / lack of funding	**23**	23
Not of interest to us / not part of our business plan	**19**	27
Pace of upgrading electricity networks	**17**	-
Limited technology	**16**	27
Planning processes	**12**	-

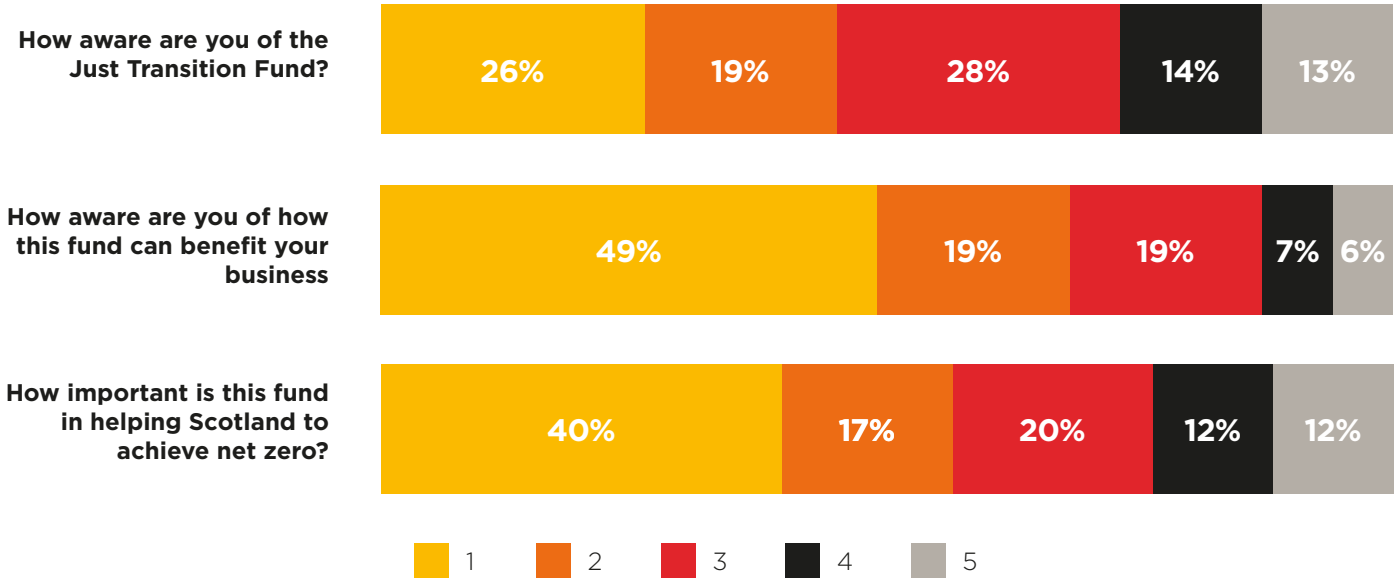
Q: Which of the following do you consider as the main barriers / challenges to diversification into renewable energy?



(count not %)

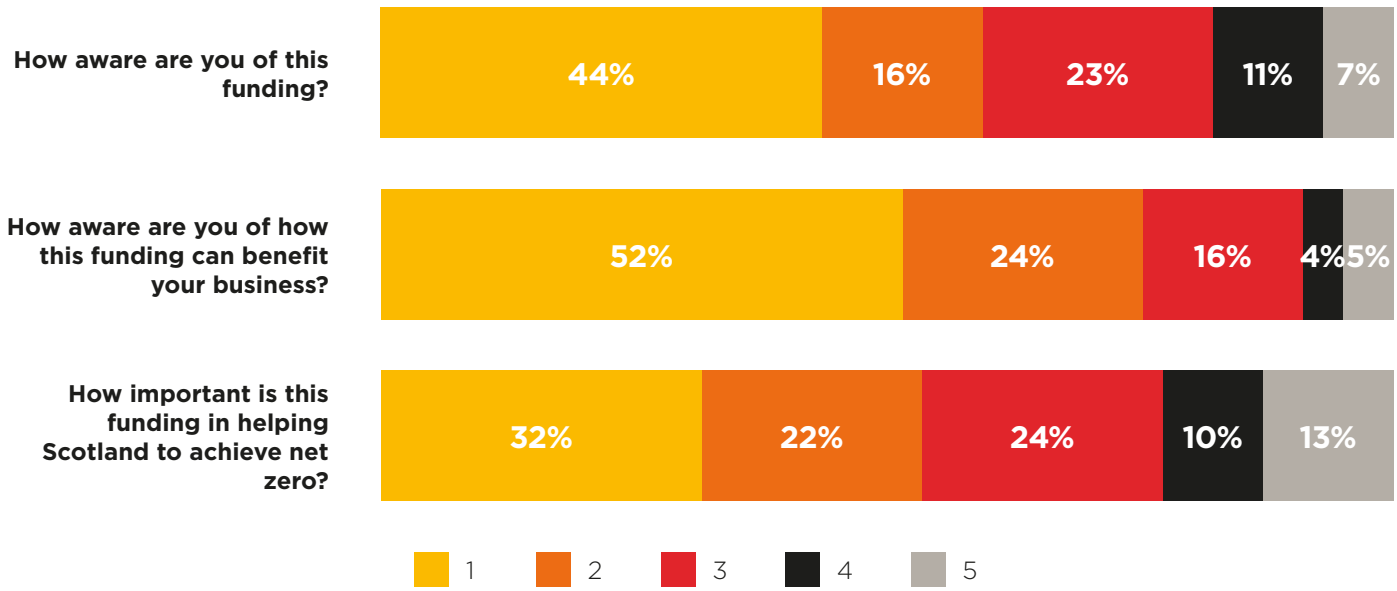
10. For the first time we asked a series of questions around various funds and initiatives designed to support business. The Just Transition Fund had low awareness of importance, impact and accessibility.

Q: The Scottish Government's Just Transition Fund is a £500 million ten-year commitment that will support projects in the North-east and Moray and aims to contribute towards the region's transition to net zero. On a scale of 1 to 5 (1 being not aware/not important, 5 being very aware/very important...



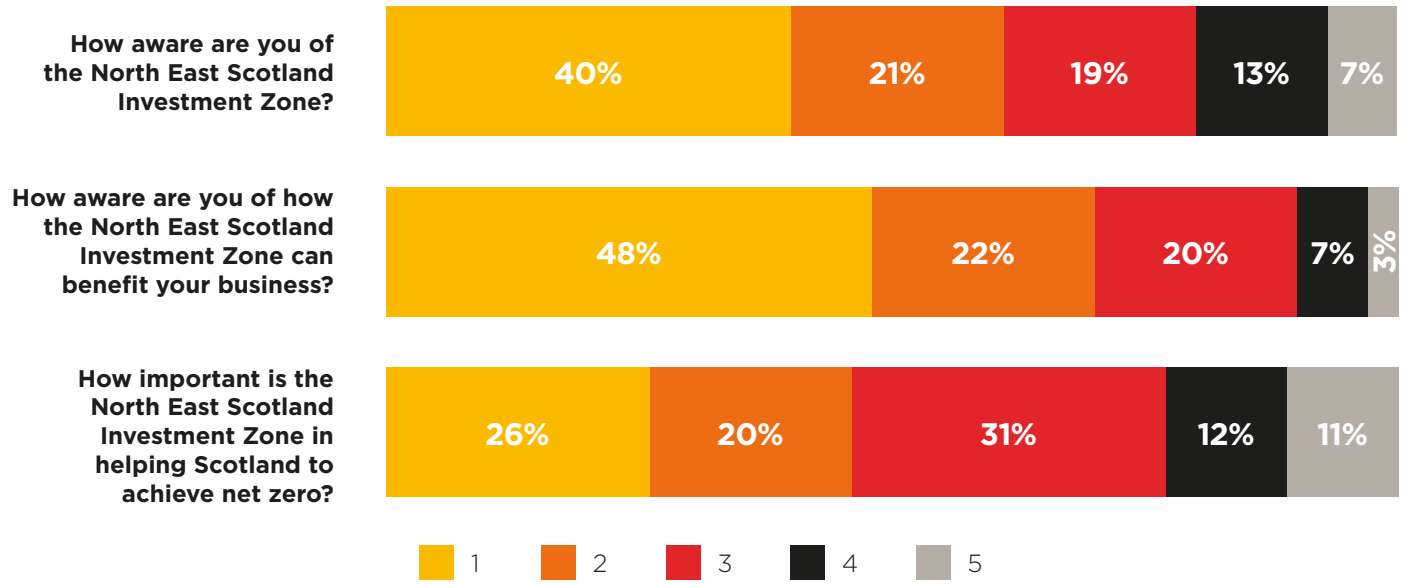
11. A similar picture for the Offshore Wind Supply Chain Fund.

Q: The Scottish Government has announced £500 million investment in Scotland's offshore wind supply chain over the next five years. On a scale of 1 to 5 (1 being not aware/not important, 5 being very aware/very important...)



12. Over half of businesses believe the North-east Investment Zone is an important initiative to enable the region to achieve its net zero capital ambitions. Awareness of the detail is lower reflecting that detailed public engagement has not yet commenced.

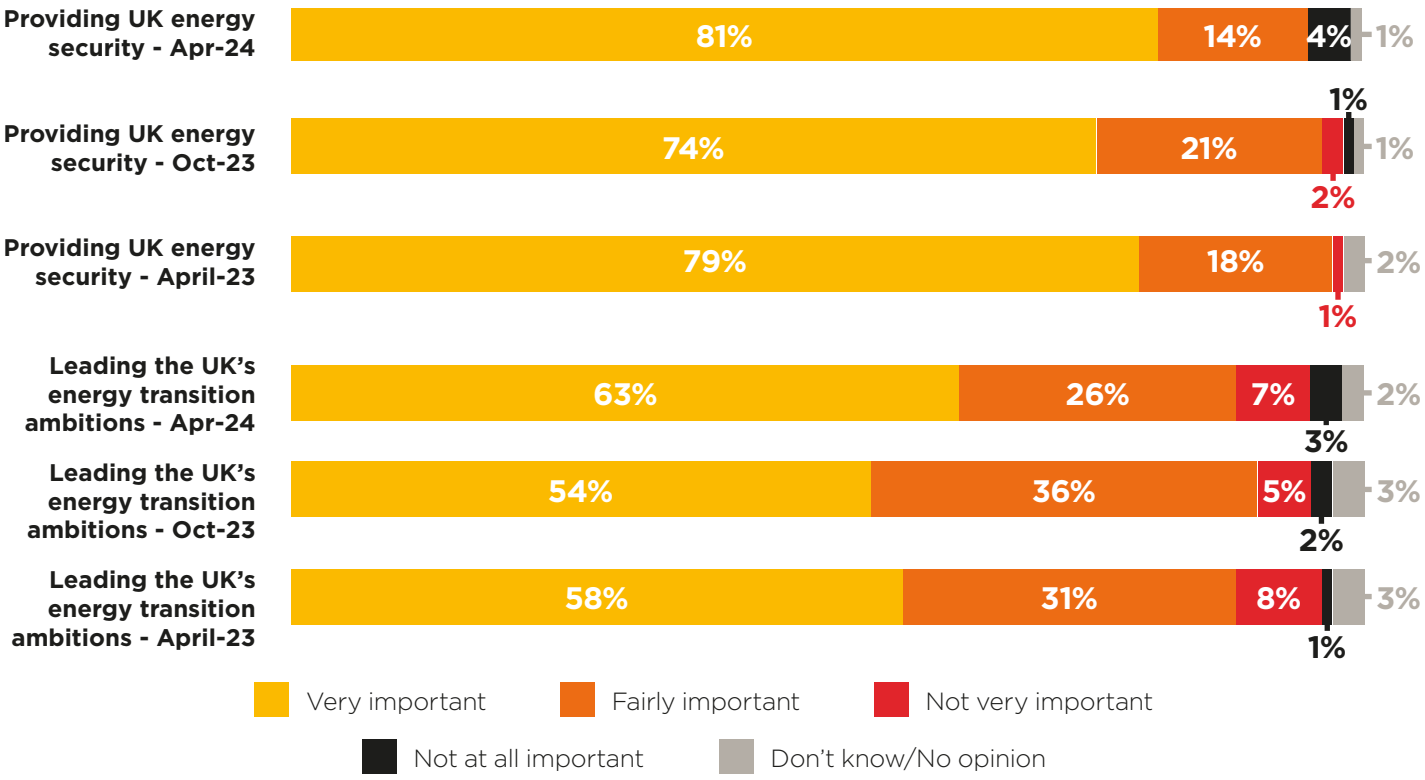
Q: The North East Scotland Investment Zone is a joint UK and Scottish Government initiative that seeks to deliver £160 million of targeted investment, tax reliefs and other incentives over the next 10 years. On a scale of 1 to 5 (1 being not aware/not important, 5 being very aware/very important...





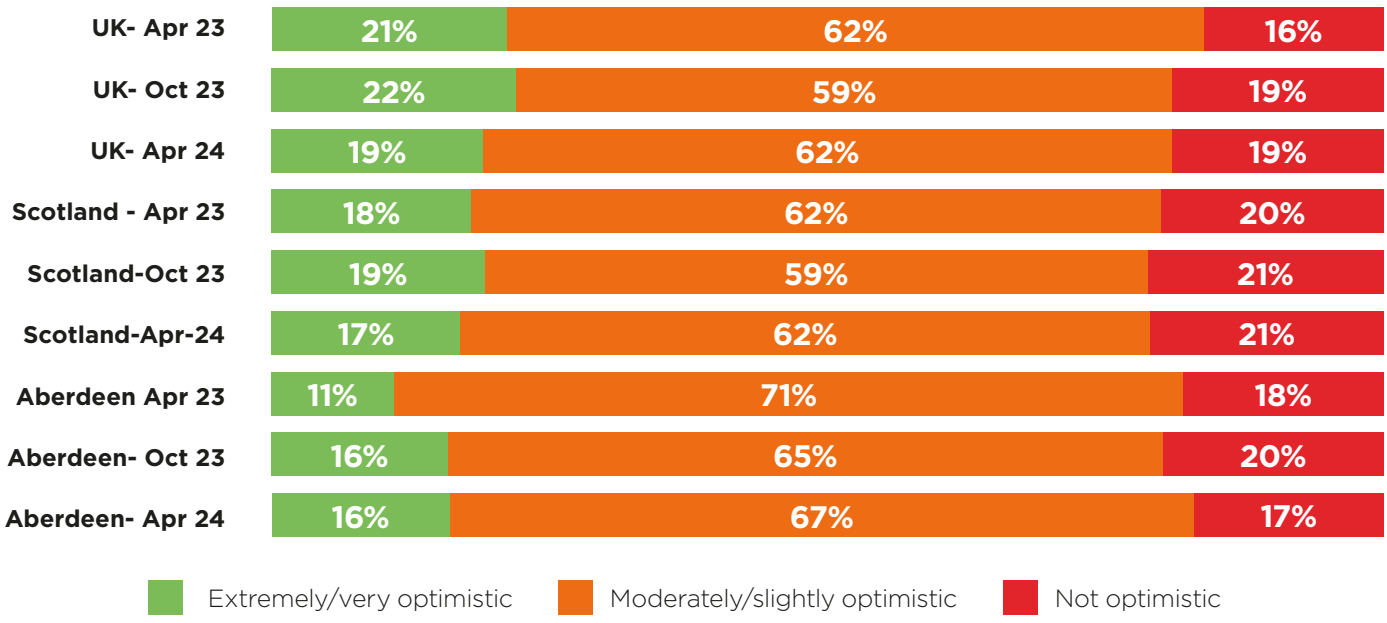
13. Nearly all respondents increasingly believe the Aberdeen / North-east energy sector will play an important role in providing UK energy security and leading the UK's energy transition ambitions.

Q: How important do you view the Aberdeen and North-east energy sector's role in providing UK energy security and leading the UK's energy transition ambitions



14. Despite the headwinds, there remains a strong sense of optimism regarding the UK, Scotland, and Aberdeen's role as pioneers in developing clean energy technologies and operations to help achieve net zero targets.

Q: How optimistic are you about the long-term future of a) Aberdeen, b) Scotland, & c) UK as leading the way as an integrated globally recognised energy hub focused on the delivery of net zero?



15. Why do you say that?

Aberdeen	Scotland	UK
Aberdeen led innovation for the energy sector in the O&G since the late '60s. The Energy transition road map needs innovation again and Aberdeen has the resources to repeat that and maintain the title.	Scotland can be a world leader in the net zero mission with proper support and funding. Need to engage young workforce to upskill and export technologies and skill set.	Despite the challenges and barriers in the UK I still believe that we are significantly ahead of most other countries with energy transition and opportunities for UK companies to lead the way is still there.
There is a huge emphasis on Aberdeen utilising the skill set from the Oil and Gas industry and transferring those skills into this sector.	Significant challenges require to be overcome in particular in relation to connections, planning, skills and supply chain. But there is room for optimism if these challenges can be addressed, and collaboration between UK and Scottish Governments is enhanced.	Ingredients are there but feel like 1) lack of political will/support and 2) still in a business-as-usual world.
I think the North East will lose out to the central belt as most of the renewables industry is based there, and younger workers are happily moving to these areas away from Aberdeen and traditional oil and gas companies.	The current Scottish Government has completely changed its position in recent years to being even more hostile than the UK Government towards Oil & Gas. So, this really leaves the city and industry in the unenviable position of being a political football while it is one of the most important factors in the UK's success over the last several decades and should be front and centre of the energy transition.	I am moderately optimistic due to my comments earlier in the survey; this all comes back to the Government policies on EPC to secure future investment and maintain supply chain in Aberdeen, Scotland and UK. If Government remove capital allowances the domino impact will destroy jobs across supply chain, and we cannot recover as organisations will prioritise on other countries.
Aberdeen and the North East has the skills, experience, resilience and history of adapting to its environment but is being hampered by a poor political environment at both Scottish and UK levels.	Both the Scottish & UK Governments have no real strategy in place. They are hedging their bets as they know they need Oil & Gas for foreseeable future but don't want to be seen to endorse it.	Obvious fiscal challenges in the O&G environment in the UK may potentially reduce the ability for supply chain to invest further in transition technologies. Companies such as ours completely rely on O&G revenues to fund the early transition.
We have the opportunity but delays in government policy and the windfall tax means that other countries are already overtaking our position.	The lack of support for the energy industry (particularly O&G) will jeopardize the transition to renewables. The fiscal regime will drive talent away from Scotland and there will be a massive skills drain on the country. The EPL and lack of investment incentives will also have a detrimental impact on the sector.	Lack of funding, political landscape and lack of clear direction will drive many companies away from the UK and Scotland.
The UK government has shown very little interest in supporting Aberdeen through the economic challenges that will deliver net zero. The region will lose the skill and knowledge that exists to other region and parts of the world as people move out of the region to provide economic security for themselves personally.		Government policy is flawed and doesn't encourage investment.
		Too much competition from overseas manufacturing, not clear government policy on end users-inflated prices and low returns - fear that energy will be imported, and oil and gas will decline too quickly, leaving the country bankrupt and dependent on imports.

Extremely/very optimistic Moderately/slightly optimistic Not optimistic

Energy Transition Case Study - Port of Aberdeen



Port of Aberdeen is leading the charge in the UK's energy transition, while embracing the challenges and opportunities of decarbonisation. This strategic focus is crucial not only for achieving Scotland's ambitious renewable energy targets but also for reinforcing the port's role as a key driver of economic growth and energy security.

Transformational expansion

Port of Aberdeen is now Scotland's largest berthage port following the completion of the transformational £420 million South Harbour expansion in September 2023

Situated adjacent to the Energy Transition Zone, the new facility can accommodate vessels up to 300 meters in length, offering port users and customers an additional 1.5km of quayside, and deepwater berths reaching depths of up to 14.8 metres, alongside 125,000sqm of flexible project areas and significant heavy lift capacity.

Recognised under the Scottish Government's National Planning Framework 4, the expanded port has transformed its capabilities to support traditional sectors such as oil and gas and decommissioning as well growing low carbon energies like offshore wind and hydrogen.

Energy transition in action

Port of Aberdeen has been Europe's premier oil and gas hub for more than 50 years, generating around 65% of the port's revenue.

Thousands of platform supply vessels visit Aberdeen every year and South Harbour is unlocking new opportunities to support the industry. Noble Corporation's Noble Innovator jack-up rig utilised the port for its special period survey which generated millions of pounds in spend within the local supply chain.

In 2023, there was a noticeable uptick in port activity for offshore wind, with vessels supporting major projects such as Neart na Gaoithe (NnG), Seagreen, and Moray East / Moray West visiting Aberdeen, in addition to existing operations and maintenance vessel traffic for the Aberdeen Bay and Kincardine offshore wind farms.

The sector now accounts for around 10% of vessel traffic, but only a very modest 1% of revenue. This highlights the need for a gradual and managed energy transition, rather than a cliff edge, to avoid a gap until renewables are ready at scale.

Floating offshore wind opportunity

According to Scottish Development International, Scotland has a project pipeline of more than 45 gigawatts, presenting the nation's most significant opportunity for economic growth in a generation.

While much of Scotland's existing port infrastructure is robust, it requires substantial upgrades to accommodate the scale and complexity of offshore wind operations. With more than 160 floating wind turbine designs currently on the market, ports face the unenviable challenge of planning infrastructure investments to enhance their capacity and capability without clarity on what future projects will require in terms of quayside length, depth and laydown area.

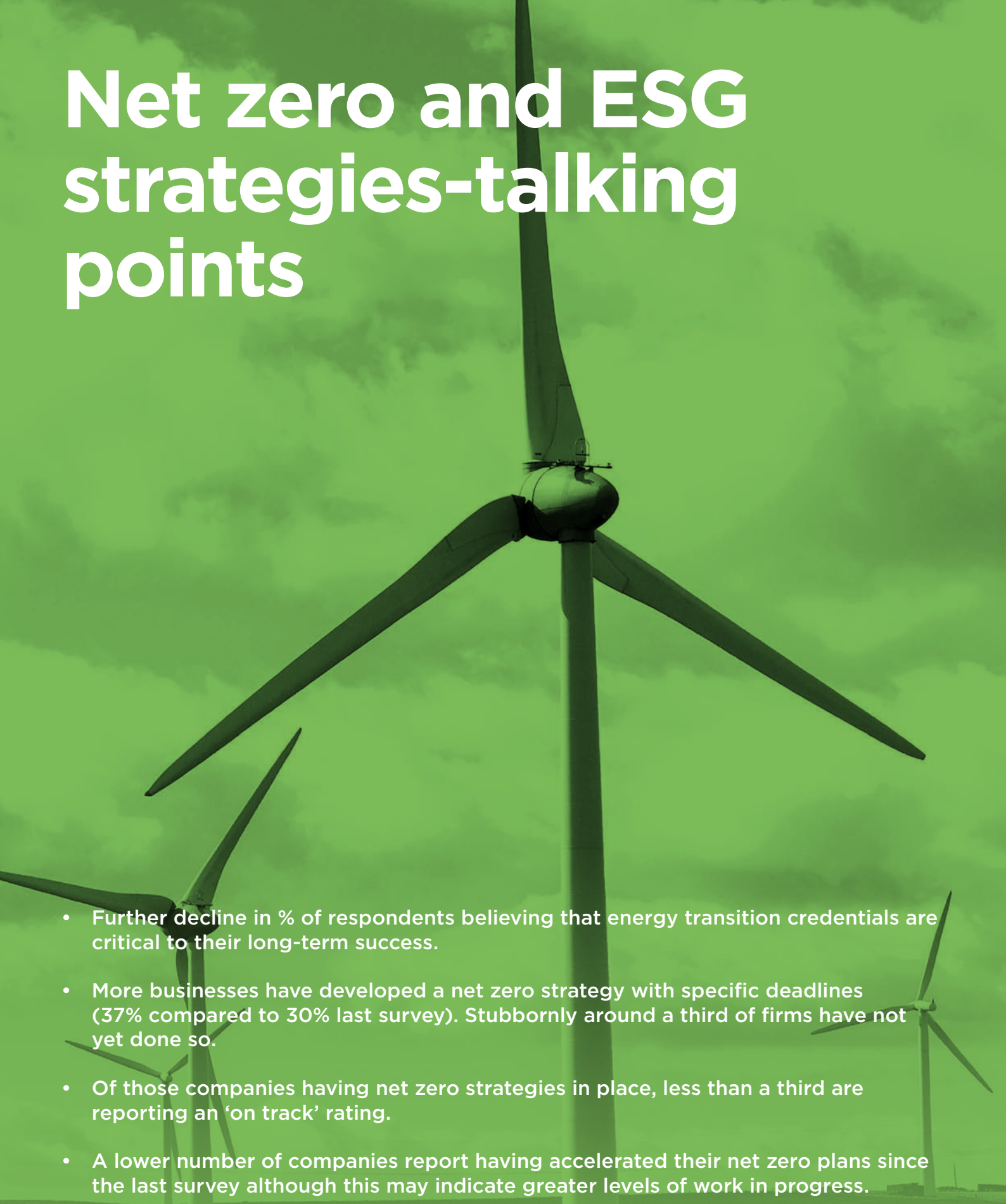
In Aberdeen, our recent £420 million investment in the South Harbour expansion project underscores our commitment to this sector. An additional £25 million dredging project is poised to make us fully ready for floating offshore wind and is a tangible example of where industry and government cooperation is needed to support the North East's Just Transition and the nation's offshore wind ambitions.

Driving decarbonisation

In April 2023, Port of Aberdeen unveiled its ambitious net zero strategy, aiming to become the UK's first net zero port by 2040. This bold initiative is supported by up to £55 million of investment over the next decade. Aberdeen was the first UK port to actively account for scope 3 emissions from client vessels - which constitute around 97% of its emissions - in its environmental goals.

Last year, the port achieved a 23% reduction in its scope 1 and scope 2 emissions compared to the previous year and has made substantial progress on two shore power projects. These initiatives, including Scotland's first large-scale landside and vessel-side shore power system, will reduce emissions significantly by Q2 2025.

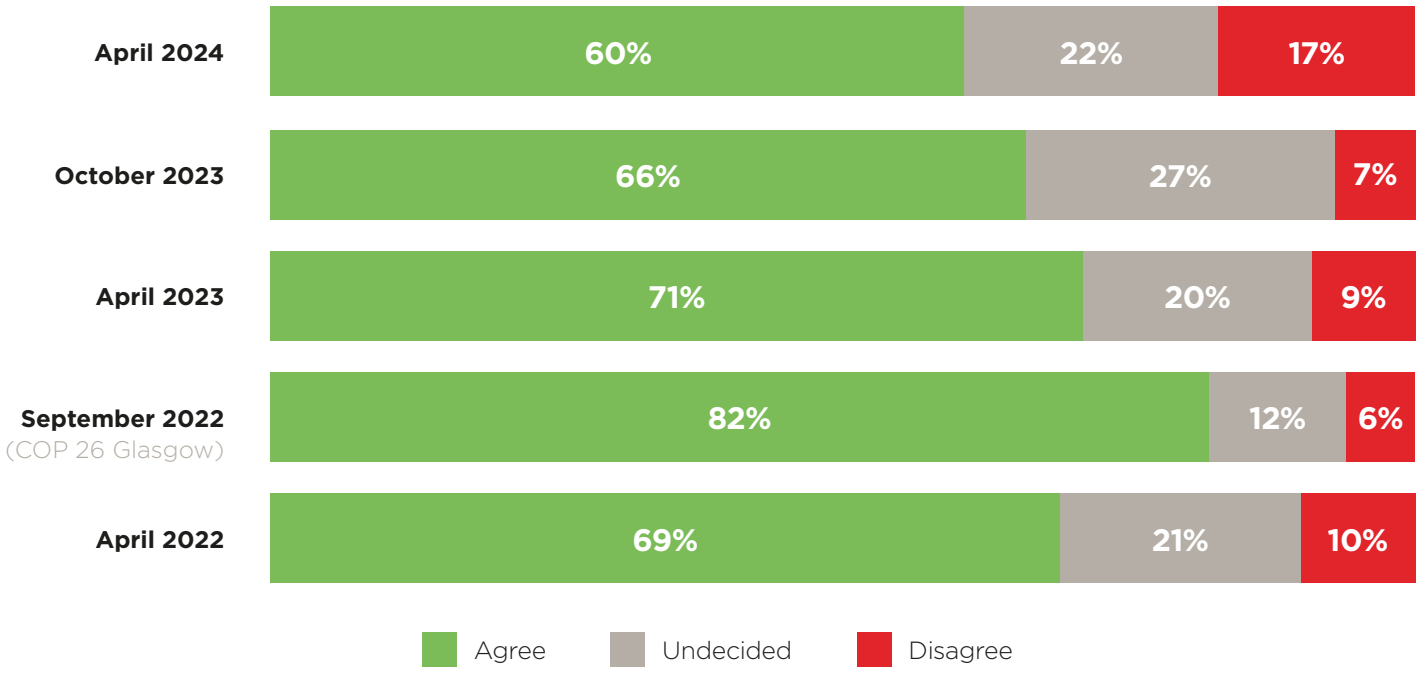
Net zero and ESG strategies-talking points



- Further decline in % of respondents believing that energy transition credentials are critical to their long-term success.
- More businesses have developed a net zero strategy with specific deadlines (37% compared to 30% last survey). Stubbornly around a third of firms have not yet done so.
- Of those companies having net zero strategies in place, less than a third are reporting an 'on track' rating.
- A lower number of companies report having accelerated their net zero plans since the last survey although this may indicate greater levels of work in progress.
- Since the last survey we have seen growth in the number of companies with clear ESG strategies in place and an increase in this being linked to executive remuneration/bonus.
- A further slight increase in customers requesting validation of suppliers' commitment to net zero/ESG strategies compared to 2023.

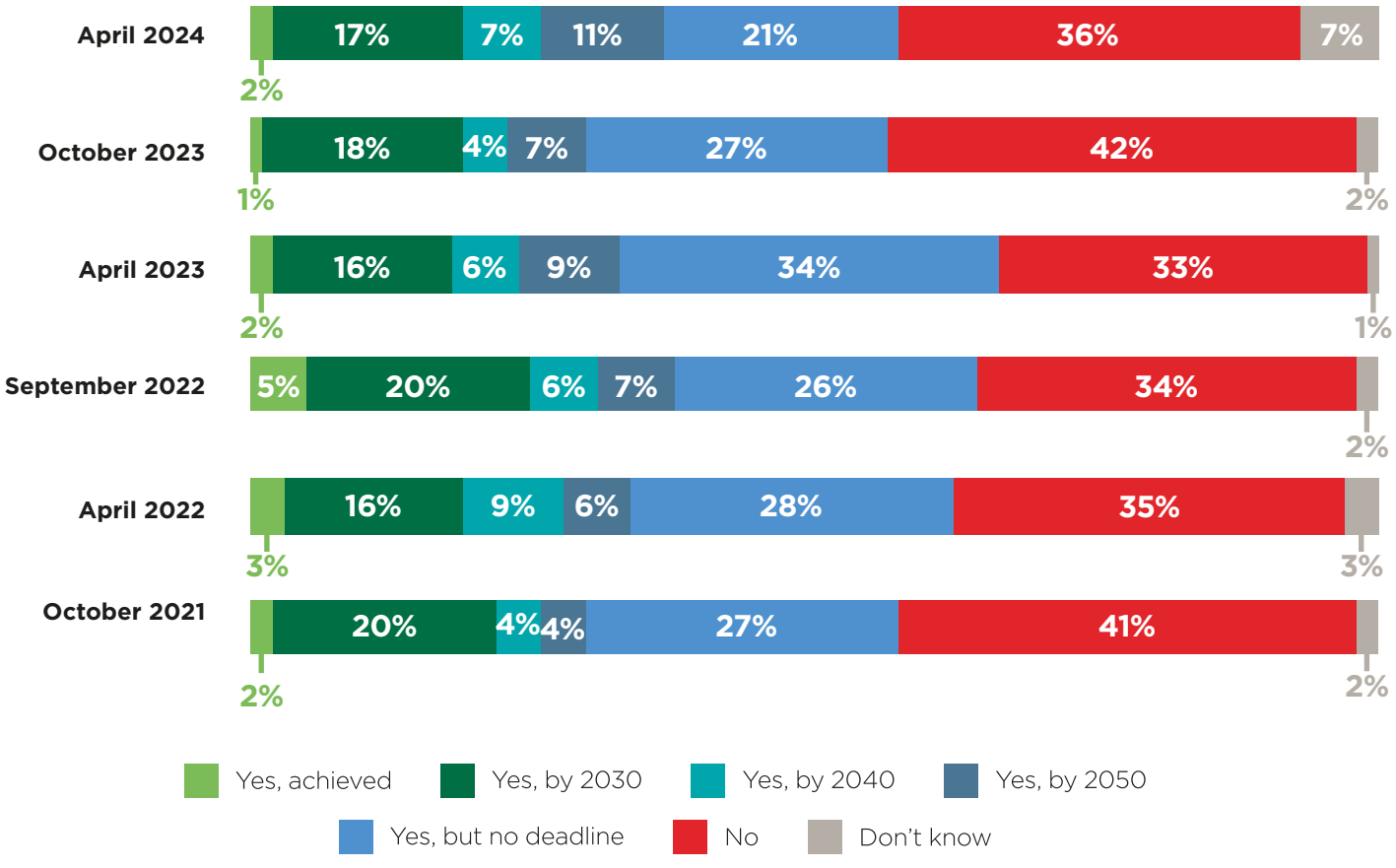
16. Further decline in % of respondents believing that energy transition credentials are critical to their long-term success.

Q: To what extent would you agree that energy transition credentials are critical to your long-term success?



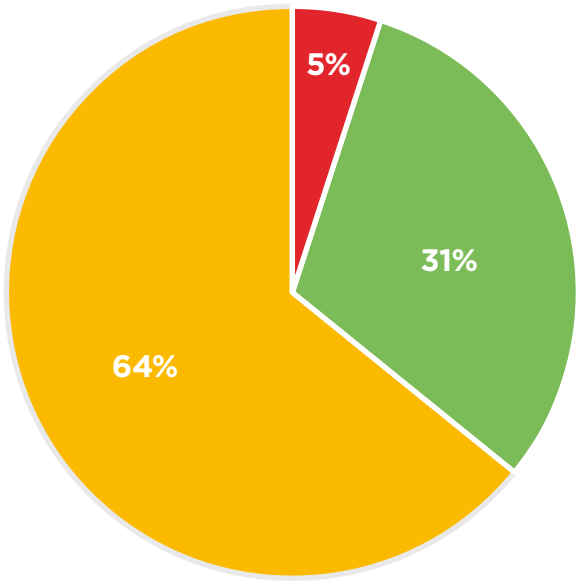
17. More businesses have developed a net zero strategy with specific deadlines (37% compared to 30% last survey). Stubbornly around a third of firms have not yet done so.

Q: Has your business developed a specific net-zero strategy?



18. Of those companies having net zero strategies in place, less than a third are reporting an 'on track' rating.

Q: On a RAG rating, do you feel that your business is on track with your net zero strategy to reduce your carbon footprint?



(n=61 those that have a strategy in place)

Q: Why do you say that?

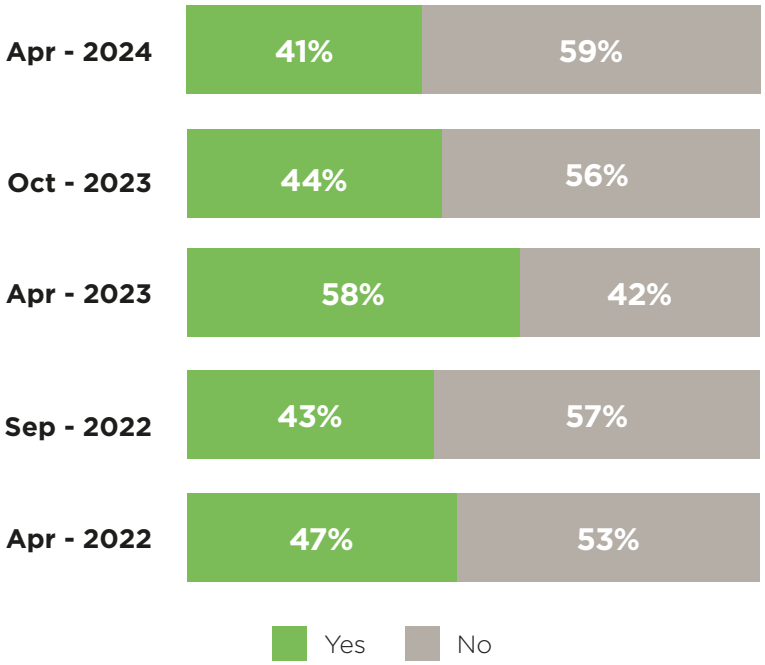
Red – Not on track:
Committed to a net-zero strategy, but funding is prohibitive, i.e. "wish to replace vehicles with greener options but the costs and ROI doesn't stack up."

Amber – Making some progress:
Overall - those who indicated amber are making progress but feel that factors outwith their control are limiting progress towards decarbonisation, including uncertainties on government policies, regulatory regimes and progress re: hydrogen and CSS etc. Applications for funding and collaborative working are helping but there is still a feeling of reliance on the large operators cascading profits down to allow the chain to make investments towards net zero.

Green – On track:
Organisations marked themselves green if they felt they had robust plans in place and were on track with them. Issues remain though around clarity on guidelines and expectations for the industry i.e. "initially we were committing to emissions reduction, now we are expected to commit to electrification - when other means would have enabled us to reach net zero, and electrification is not economically viable in most/all cases".

19. A lower number of companies report having accelerated their net zero plans since the last survey although this may indicate greater levels of work in progress.

Q: Have you accelerated your (net zero) plans in the last year?



(n=61 those that have a strategy in place)

Q: How are you tracking progress?

From the respondents who elaborated on tracking progress, it is clear that there is not a standardised approach across the industry.

The majority are tracking against their own plans / roadmap / KPIs, with some citing scope 1, 2 & 3 measurements and few mentioning accredited standards.

"We have a decarbonisation roadmap which is updated on annual basis to track progress."

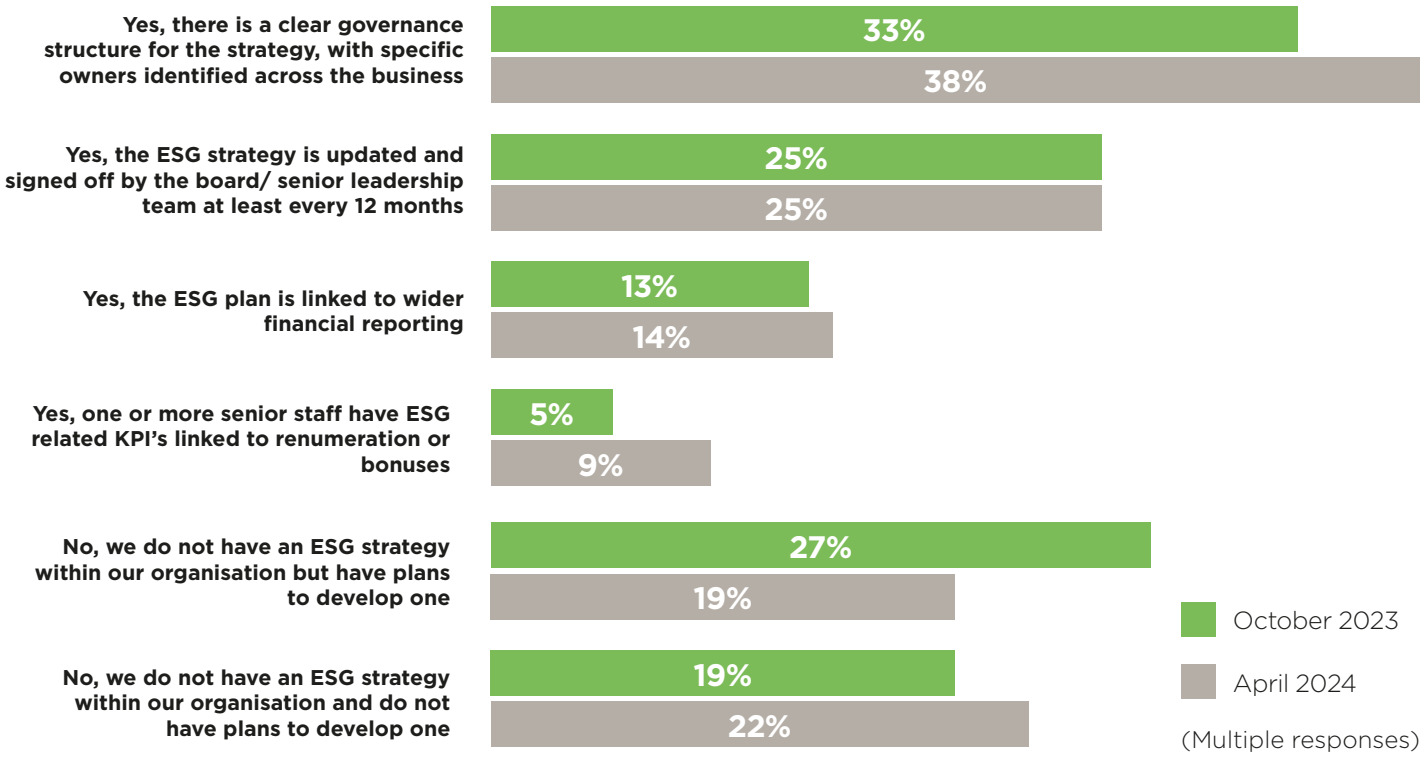
"A number of different metrics"

"Progress against plan and tracking our scope 1 and 2 emissions against our phased targets."

"Disclosing our climate-related risks and opportunities since 2019, following the recommendations of the Task Force for Climate-related Financial (TCFD). Adopting early the revised Universal Standards of the Global Reporting Initiative through our Sustainability Report 2022. We are proud to be a Global Reporting Initiative (GRI) Standards Pioneer. Reporting to the GRI standard through our annual Sustainability Report."

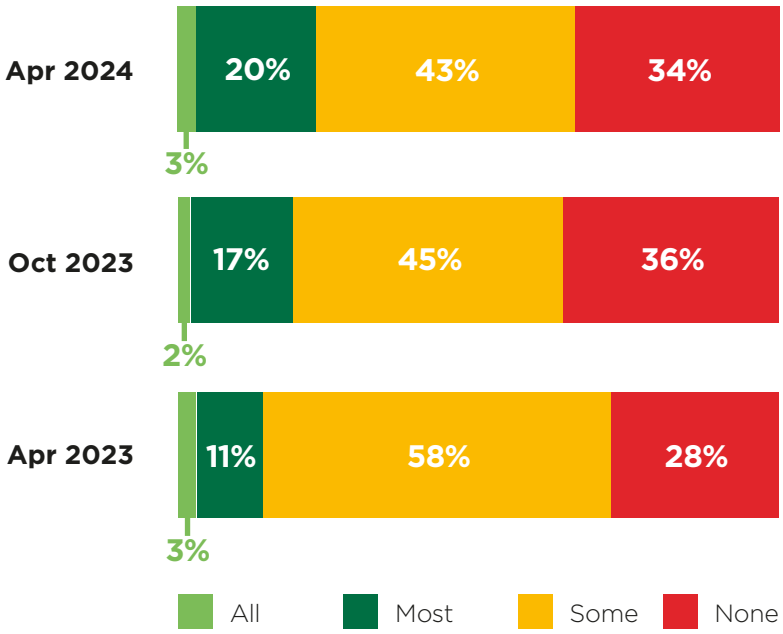
20. Since the last survey we have seen growth in the number of companies with clear ESG strategies in place and an increase in this being linked to executive remuneration/bonus.

Q: Do you have an Environmental Social Governance (ESG) strategy within your organisation, that has board/senior leadership level support?



21. A further slight increase in customers requesting validation of suppliers' commitment to net zero/ESG strategies compared to 2023.

Q: To what extent are your customers requesting validation of your approach to net zero / other ESG commitments?



Q: ***Please specify what level of evidence / assurance customers are seeking?***

Evidence requests vary from copies of policies, procedures or responses to questionnaires – to formal accreditations such as ISO, copies of reduction plans and reports – evidence of ongoing environmental monitoring and reduction actions.

"Policies, procedures, questionnaires"

"We have our ISO 14001 which is requested when we tender large scale projects, framework agreements or contracts. During the bid phase of contracts, there is a significant emphasis put on the Environmental element of the bid. The majority of our clients engage with us on our policies through questionnaires and face to face meetings."

"Detailed written response or questionnaire at this stage rather than formal accreditation or audit."

"Looking for policy or reporting on ESG matters as well as KPI's and evidence that measures are being taken."

Energy Transition Case Study - Blaze



Based in Laurencekirk, Aberdeenshire, Blaze is a leading provider of fire safety protection, detection, and loss prevention solutions for harsh and challenging environments, providing solutions to the oil and gas, renewable energies, nuclear and industrial sectors.

This involves everything from the front-end definition of concepts, detailed design, supply and installation, the commissioning and maintaining of active fire extinguishing systems and fire alarm systems both in the UK and internationally.

Transition journey

Blaze was established in 2006 by Howard and Ann Johnson, predominantly to serve the UK oil & gas sector and, like many others, was severely impacted by the downturn in 2015-16. Whilst diversification had already begun, Blaze had undertaken work in Africa in the mining sector, further market expansion was key to the future success of the business.

Operating in a highly regulated global market, there were significant opportunities for sustainable recovery and growth beyond oil and gas and research was key to identify where Blaze could make the greatest impact. As an independent specialist, with a track record in providing bespoke solutions to protect high value assets, where an "off-the-shelf" option was often unavailable, Blaze was well placed to support major capital projects in other industries. Significant effort was applied to identifying target projects and building knowledge of the key parties involved.

This led to focused business development activity and entry into the growing renewables sector, designing and engineering fire detection and suppression systems for offshore windfarm transformer stations, supporting the drive to decarbonise the generation of electricity.

Blaze has subsequently secured contract wins in the nuclear, industrial and commercial sectors, providing fire safety solutions to some of the largest infrastructure projects in the UK and Europe.

Retaining the core engineering and design capability was a priority, however, Blaze has also invested heavily in further development of our teams and recruited from other industries, to ensure that we remain adaptable and innovative, and able to offer the best solutions for our clients. Coupled with a robust quality management system, this ensures that we are capable of, and accredited to work in multiple sectors, including FIRAS and LPCB certification for the industrial sprinkler market.

Keeping existing infrastructure safe and operational was also a focus of the transition, with Blaze offering inspection, repair, spares and maintenance services across our four core sectors and in multiple regions, further diversifying income streams.

Lessons from the journey

As well as ensuring that you have a long-term vision, a plan to deliver that goal, and the team all pointing in the same direction, when embarking on any major transition, doing your homework is key.

Having grown up under the LOGIC contracting regime in oil & gas, one of the biggest challenges that Blaze faced was understanding the commercial dynamics in other sectors, where different contractual risks existed. Blaze was exposed to different contract terms, which led to challenges in managing variations, delays, and other impacts to the way projects were delivered.

The working capital demands were also different, with Blaze exposed to significant lead times, milestone payments and retentions, as well as the requirement for performance and warranty bonds on many contracts.

These were harsh lessons, and led to the relationship and investment by Balmoral Group in 2019, which gave Blaze the financial strength to take on higher value, longer duration contracts. Having that support has been critical in building a strong and viable business.

Whilst there have been challenges, there are opportunities out there for any business to transition and be fit for the future. For Blaze, it has taken a mix of resilience, innovation and focus, and a lot of patience.

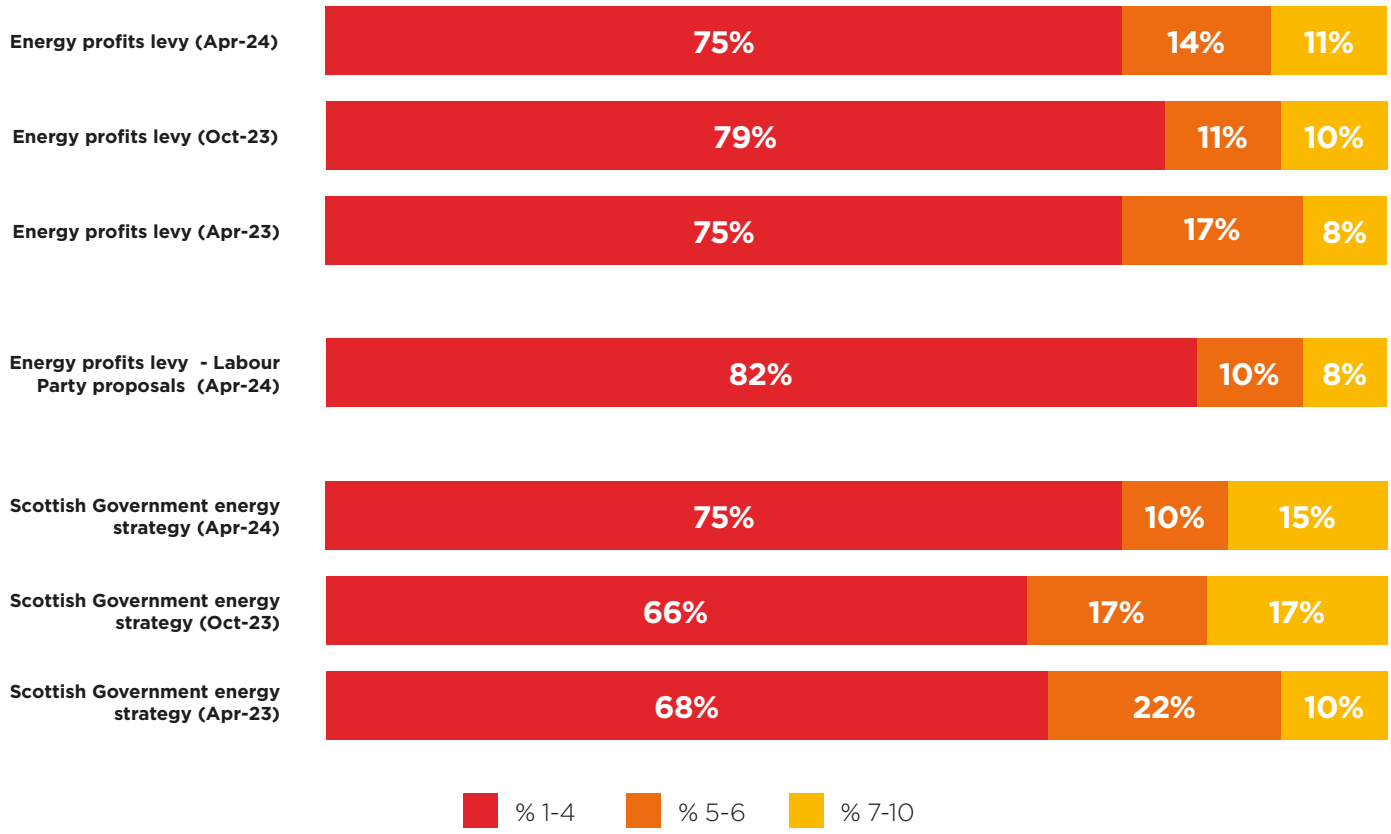
Government policy and regulatory environment talking points



- EPL and Scottish Government's strategy continue to be major negative influences on the sector. Labour proposals score even worse.
- 20 percentage point increase in respondents believing no political party has the best policies for energy security.
- 26 percentage point increase in respondents believing no political party has the best policies for energy transition.
- Similarly high levels of scepticism when looking at which political parties are giving business the confidence to invest in new energy technologies with two thirds stating 'none of them'.

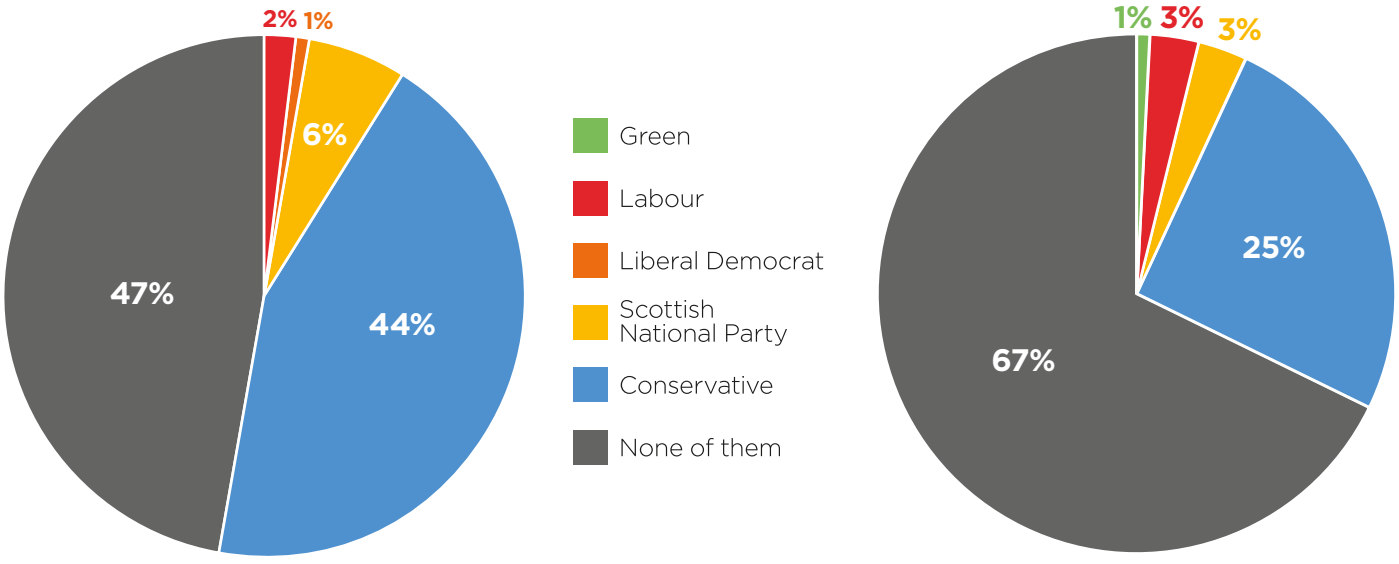
22. EPL and Scottish Government's strategy continue to be major negative influences on the sector. Labour proposals score even worse.

Q: On scale of 1 to 10, where 1 is very negative and 10 is very positive, please rate the impact of the following on energy sector / investor confidence. (October 23)



23 a). 20 percentage point increase in respondents believing no political party has the best policies for energy security.

Q: Which political party do you believe is delivering the best policies for domestic energy security?



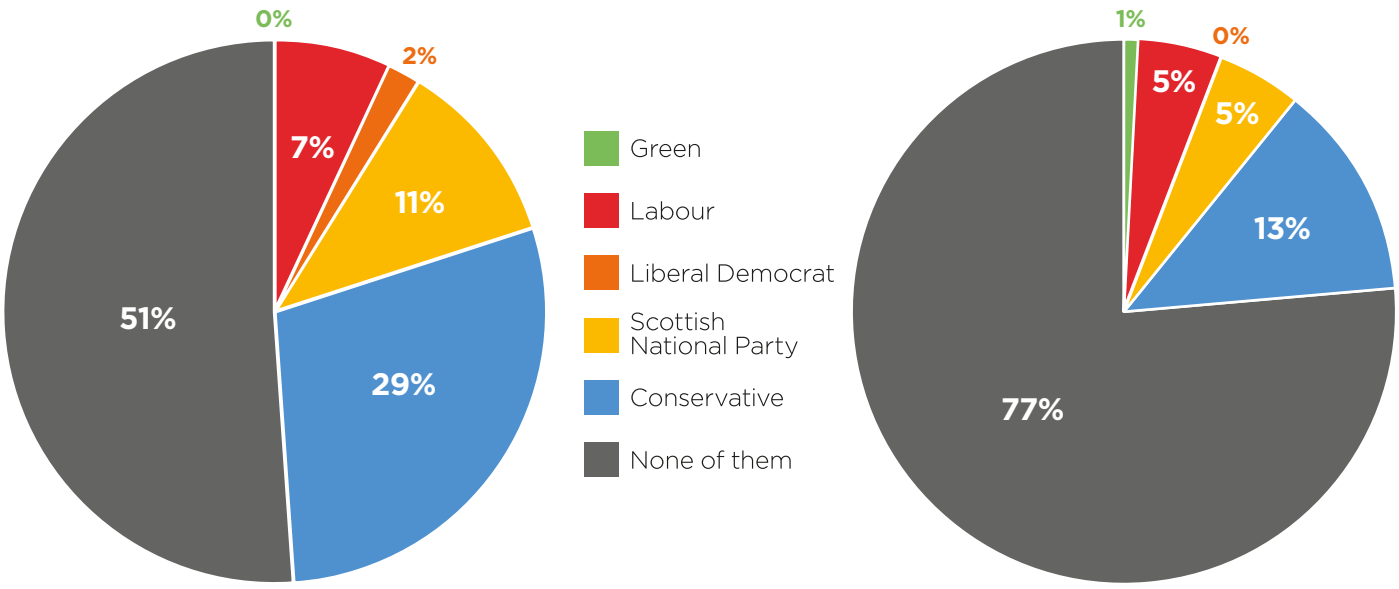
October 2023

Excluding 'don't knows'

April 2024

23 b). 26 percentage point increase in respondents believing no political party has the best policies for energy transition.

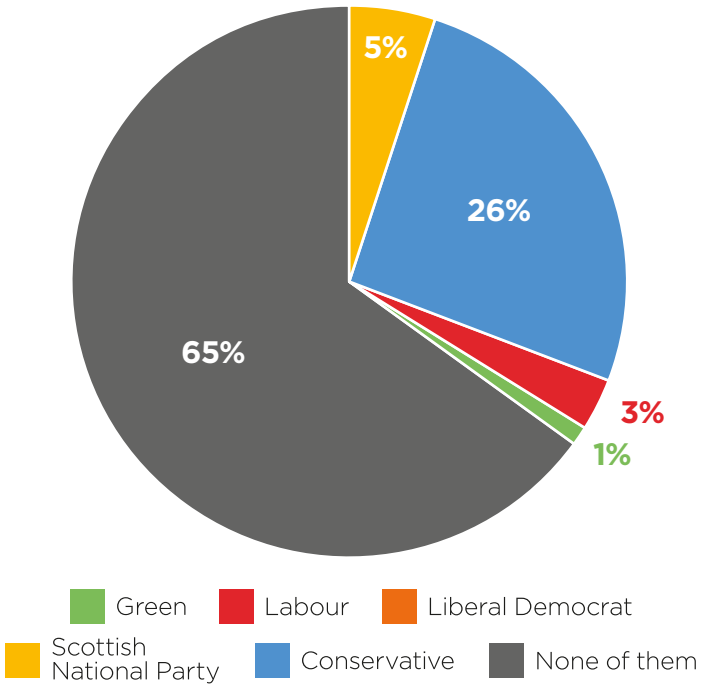
Q: Which political party do you believe is delivering the best policies for energy transition?



October 2023 Excluding 'don't knows' **April 2024**

24. Similarly high levels of scepticism when looking at which political parties are giving business the confidence to invest in new energy technologies with two thirds stating 'none of them'.

Q: Who do you believe has put in place the right conditions and incentives to give the private sector the necessary confidence to invest in new energy technologies?



Q: Why do you say that and what additional interventions do you believe would make a positive difference?

"A separate energy body must be created to take away fluctuations in policy which are aligned with culture wars."

"End to EPL sooner would be helpful for industry"

"Government should provide a long term and fixed strategy to net zero. The uncertainties should be cleared."

"Political point scoring is getting in the way of facing up to the reality of the situation we are in, and we are consistently missing opportunities to develop and excel. We need a government who be transparent with the British people and be very clear about the importance of oil & gas in the energy mix then establish fair and reasonable taxation to all a just transition"

"None of the main political parties seem to understand the challenges and funding requirements to deliver the energy transition and provide energy security. All the parties focus on the supply side of the industry in terms of apportioning responsibility for emissions and take no responsibility for demand led emissions because they know that involves difficult choices for voters."

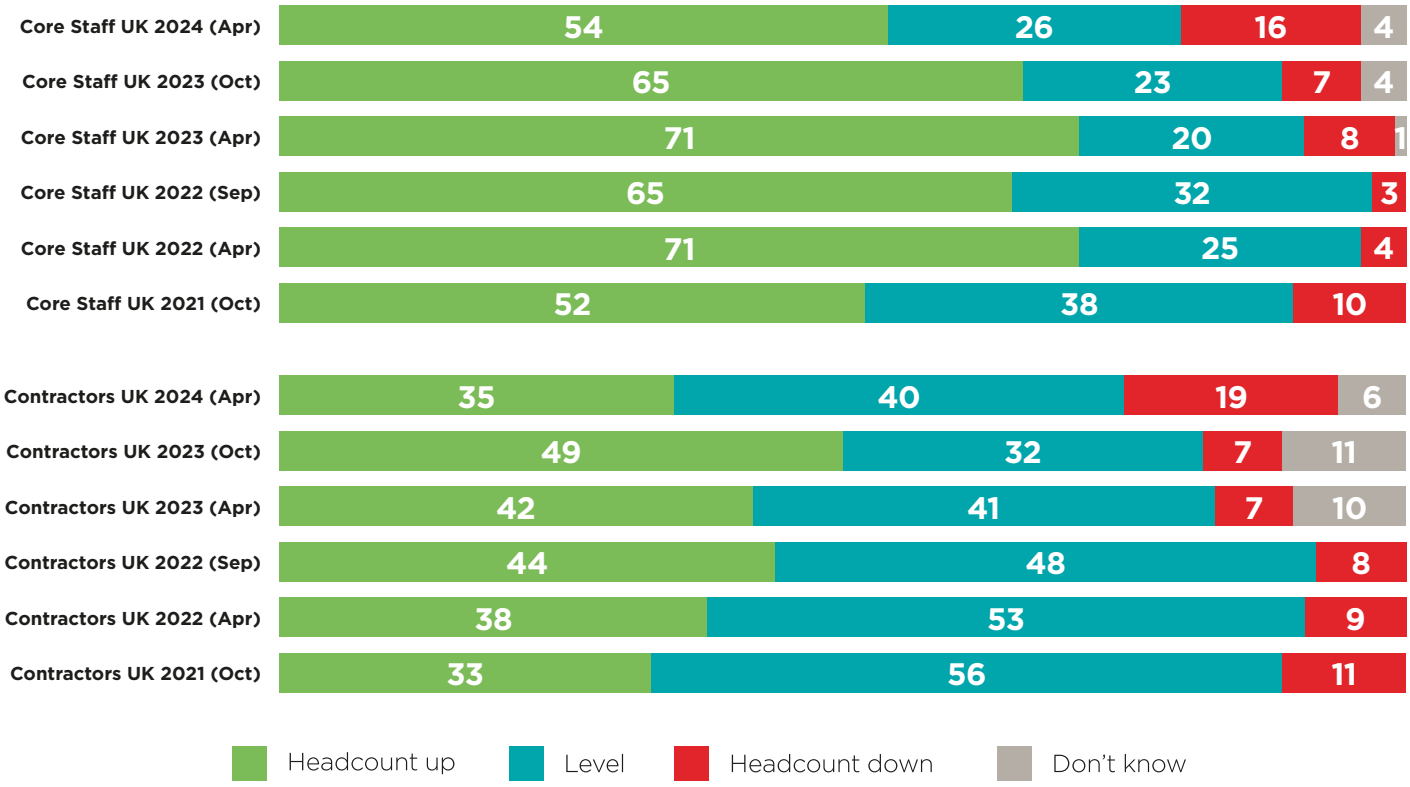
Recruitment and skills gaps talking points



- Lowest expectation of core UK staff growth since 2021. We also see a decline in companies expecting to increase contract staff reflecting the challenges facing the industry.
- Almost half of respondents expect an increase in core staff working on overseas projects over the next three years.
- Businesses continue to experience challenges in attracting staff for a range of roles.
- Recruitment challenges by job type have remained largely the same across the board, easing slightly for managerial and professional roles.
- Over 40% of respondents reported that it's more difficult to attract staff to the North-east from the rest of the UK and overseas than 5 years ago.
- Respondents have slightly higher levels of confidence in securing the traditional and new skills needed to deliver their long term business objectives but still much lower than April 2022 position.
  .
- Concerning and large increase in firms losing staff to retirement, other UK regions and overseas.

25 a). Lowest expectation of core UK staff growth since 2021. We also see a decline in companies expecting to increase contract staff reflecting the challenges facing the industry.

Q: How do you expect your headcount to change over the **next 3 years** for...



(% sector view of headcount change over the next 3 years)

25 b). Almost half of respondents expect an increase in core staff working on overseas projects over the next three years.

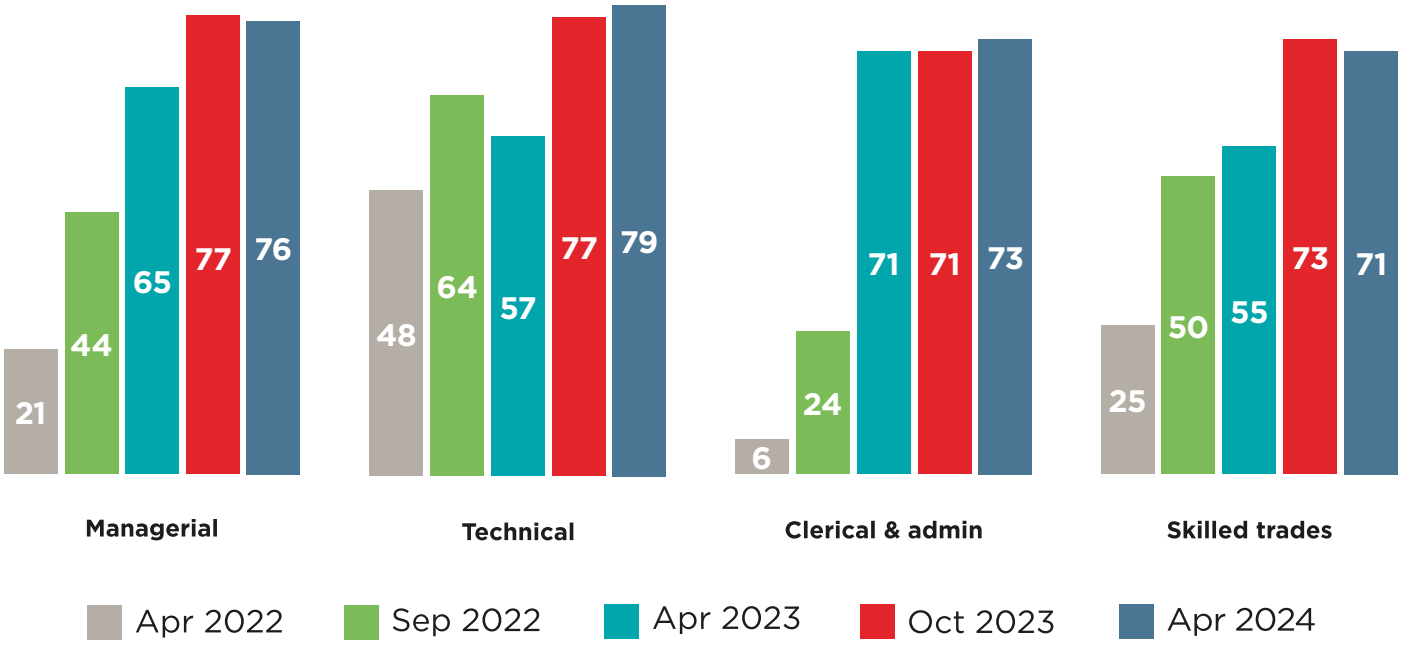
Q: How do you expect your headcount to change over the **next 3 years** for...



(% sector view of headcount change over the next 3 years)

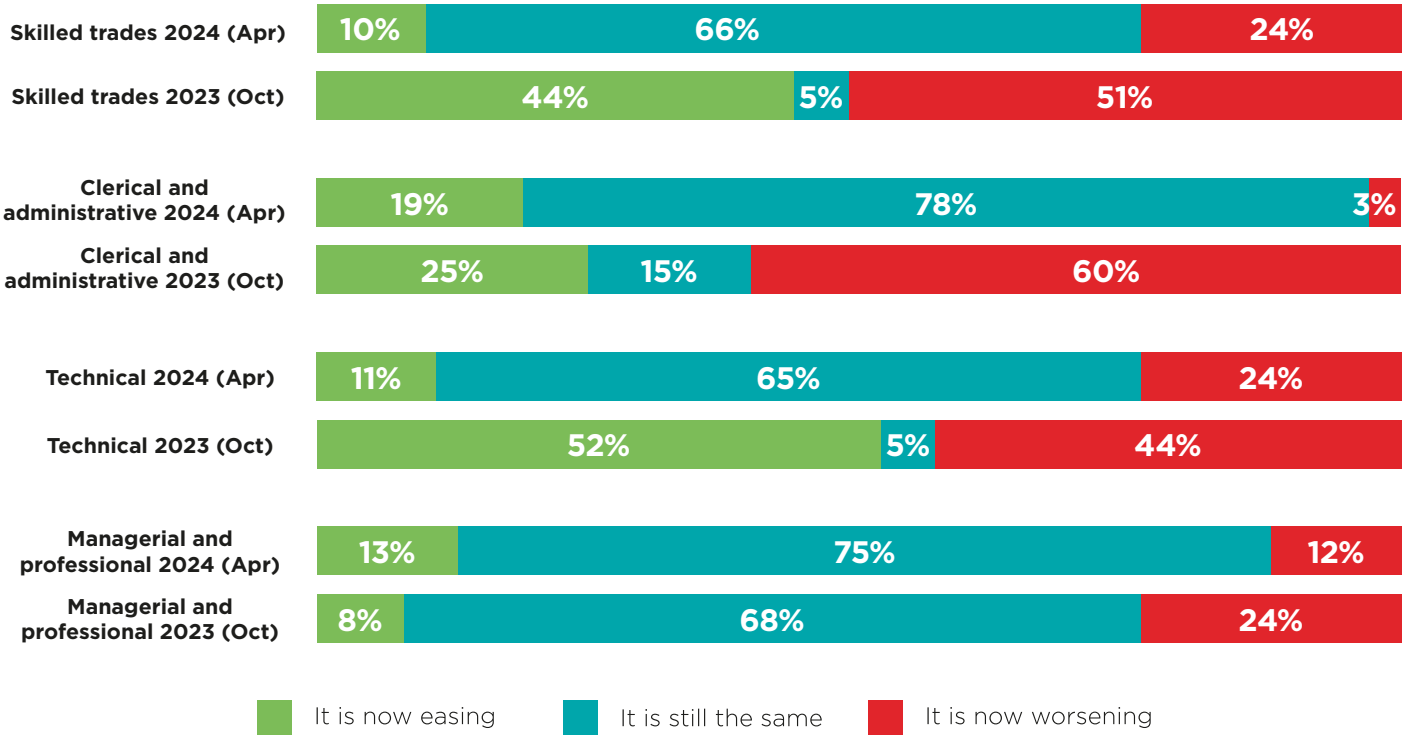
26 a). Businesses continue to experience challenges in attracting staff for a range of roles.

Q: Have you experienced any difficulties in recruiting any of the following roles in the **past 12 months**?



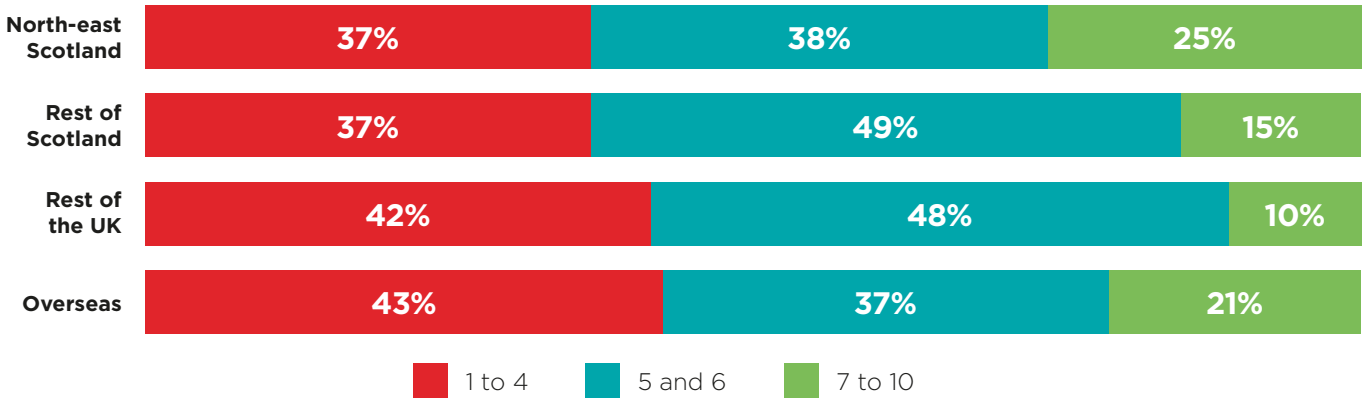
26 b). Recruitment challenges by job type have remained largely the same across the board, easing slightly for managerial and professional roles.

Q: Have you experienced any difficulties in recruiting any of the following roles in the **past 12 months** and what is the status now?



27. Over 40% of respondents reported that it's more difficult to attract staff to the North-east from the rest of the UK and overseas than 5 years ago.

Q: Compared to five years ago can you comment on your ability to attract staff from:
One a scale of 1 to 10, where 1 is much more difficult and 10 is much easier.



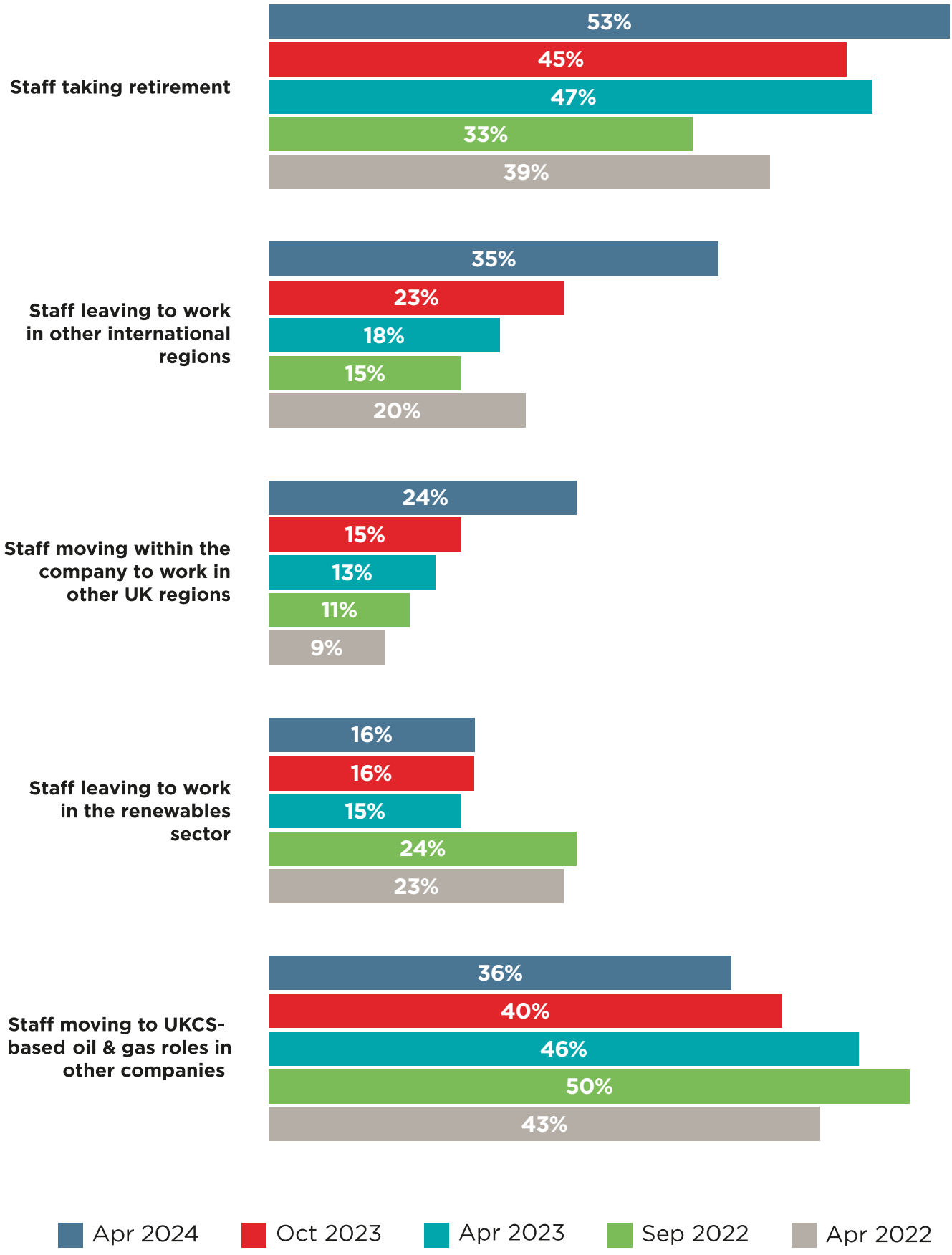
28. Respondents have slightly higher levels of confidence in securing the traditional and new skills needed to deliver their long term business objectives but still much lower than April 2022 position.

Q: How confident are you that your businesses will be able to secure the skills you need to deliver your longer-term strategic objectives?



29. Concerning and large increase in firms losing staff to retirement, other UK regions and overseas.

Q: Are you losing more UK-based qualified staff than usual to any of the following?



(Multiple responses)

Policy recommendations and industry actions

1) 100 days to save 100,000 jobs

Confidence in the North Sea has plunged to an all-time low, and it is clear from our survey and focus groups that companies will exit the UKCS under the tax regime being proposed by the Labour Party.

This is supported by independent analysis which concludes that 100,000 of the 200,000 jobs currently supported by the UK oil and gas sector will be lost by 2029.

Investment of up to £30billion is at risk, and for many of the basin's key pieces of infrastructure, we are rapidly approaching the point of no return. If key production hubs close, we lose the ability to tie back, and vast swathes of our natural resources will become locked in and economically unviable.

North Sea operators are waiting to see what Labour does in government once the heat of the election dies down. If they do not see any change in the Energy Profits Levy and proposed drilling ban, then many will turn their investment plans and focus elsewhere.

This outcome would be catastrophic for jobs, tax revenues and energy security, leaving the UK reliant on other countries to provide 80% of the gas we need.

The next government has 100 days after an election to change course and convince industry that the North Sea is still a viable and investible basin.

2) An independent body to oversee the energy transition

Right now, we are at risk of the North Sea oil and gas industry being wound down through rhetoric, rather than strategic policy. If this continues unchecked, it will be as chaotic as it will be economically damaging.

We need a new body, entirely independent of government, to set a policy direction for the next 40 years.

Like the Bank of England – which has maintaining monetary and fiscal stability as its central mission – the new body should be charged with developing recommendations which could command cross-party consensus and insulate the sector from political policy shocks in the future.

If nothing changes, and we get five more years of the same muddled policy, then nothing will change. Discretionary capital will continue to move overseas, the transition will stall, and a world class supply chain built up over decades will go.

We need to marry economic, energy and environmental policy otherwise we will end up poorer, less energy secure and polluting more to access the energy we need.



3) A relentless new focus on green jobs creation

For too much of the energy transition debate has been about the role of oil and gas in or future energy mix. As this debate has been rumbling on, there has been a lack of focus on delivering renewable energy projects.

One of the most concerning trends emerging from this report is that the amount of renewables work being undertaken by companies in the UK appears to be growing at too slow a pace.

Many projects are sitting on civil service desks, snarled up in a planning process which appears unable to cope with seismic change we need to deliver - at pace.

As a result, job creation in renewable energy is simply not keeping up with the self-inflicted rate of decline in the North Sea.

As our oil and gas workforce has declined, it's estimated the number of people employed in Scotland's low carbon and renewable sector has only risen from 23,200 to 25,700 over the past nine years.

This trend, if continued, will leave tens of thousands of people out of work. To avoid this, we need to get projects consented at pace, alongside a cross-border consensus and delivery plan to build out grid capacity.

The appetite to invest in renewables is there, we just need to unlock it.

4) A skills strategy that supports the full energy mix

A key finding of this report is that companies in the North Sea are losing more people than is usual to overseas projects and retirement.

If we are to avoid a worker shortage, we need a skills strategy to ensure that the UK's universities and colleges continue to support the courses needed to produce engineers and geologists for our oil and gas sector. And to ensure that the highly negative public discourse does not discourage our brightest and best people from careers in the sector where they can become part of the climate solution, not the problem.

We also need to up investment and pace in developing our current workforce, with more than 90% of the existing oil and gas workforce having medium to high skills transferability into renewables work.

However, we need to make sure our higher and further education establishments are properly funded to deliver all of this, which currently is far from the case.

And we also need to see concessions in our immigration policy which ensure that our energy courses remain attractive to international students, and that we can retain the graduates we produce.



Chamber viewpoint

As we approach the General Election, you will not have to look too far to find an empty soundbite.

Regrettably, there are none more vacuous right now than the so-called 'just transition'.

The UK and Scottish governments are committed to it – yet both are struggling to deliver the policies and pace we need to make it happen.

On the one hand, we have a UK Government taxing the oil and gas sector to death with its Energy Profits Levy (EPL), triggering a state of inertia among global investors. And on the other, we have Scottish Government planners struggling to keep up with the pace industry demands for green energy consents, particularly in offshore wind.

Together, they have left our energy industry with two deeply damaging paradoxes.

One, where the appetite for investing in green energy has never been higher but getting planning consent and grid connection has never been harder.

And another, where the need for domestic energy security has never been greater, yet we are careering down a path which will leave us reliant upon other countries to provide the gas we need.

This survey has charted the highs and lows of the UK's energy sector for the past 20 years – but never before have its findings been so important; the need for action so imperative.

It has been compiled through research and industry focus groups with operators, investors and supply chain companies.

Given where the energy industry is globally, this should be an upbeat report. Higher energy prices would normally mean more investment in the North Sea – with profits, in turn, pouring into offshore wind and other renewables projects.

In theory, the outlook should be better than ever. But confidence has fallen to an all-time low. Industry does not like what it has sees, and is clearly fearful of what potentially lies ahead.

From a policy point of view, it should not be complicated. Slow the decline of the North Sea with a fiscal regime that encourages investment and protects jobs, while at the same time building out renewables at pace, with a laser-focus on job creation.

This survey shows that the exact opposite is happening. Investment is on hold, and companies are haemorrhaging workers to other parts of the world or to premature retirement.

We have been steadfast in our position that the windfall tax and proposals to halt North Sea drilling will undermine the energy transition, and ultimately cost us the workforce and supply chain we will need to build out and operate our renewable energy infrastructure.

As the likelihood of a Labour government increases day-by-day, there is now a growing consensus around this view.

Industry has made its position crystal clear through the pages of this survey. Confidence is at rock bottom and just 5% believe that Labour has the best policies to deliver the energy transition.

Investment analysts believe that Sir Keir Starmer's plans will wipe out 100,000 of 200,000 North Sea jobs by 2029, costing the UK £30billion in investment and £20billion in lost tax receipts.

And Unions have perhaps been the most vociferous, with Unite saying Labour will throw workers on the "scrapheap" with its "irresponsible" oil and gas policies.

Contrary to current public perception, these people are not climate denying oil fat cats wearing Stetsons and driving muscle cars. No, they are welders, scaffolders, electricians, engineers, project managers - blue collar workers whose livelihoods are at risk if policy is out of step with reality.

This is now a big moment for policymakers of all colours but particularly Labour as the next UK Government in waiting. It will reveal who it is they are listening to. Is it the grafters of the North Sea with dirt under their fingernails, or wine bar socialists with orange paint under theirs? We will soon find out.

As has been set-out in this report, we believe the next government has just 100 days to convince industry that there is a future in the UK Continental Shelf.

Failure to do so will result in the current apathy, which is evident throughout this report, turning to open revolt where companies move on to countries which offer more favourable regimes and better returns.

Should this transpire, our path to net zero could look more like a road to nowhere. A road that leaves the UK poorer, less energy secure, and beholden to foreign regimes for the energy we need to keep the lights on and our economy running.

To set a different path – one where the UK seizes the huge economic opportunities of the energy transition – requires a diversity of thought and approach, not more politics.

We need a new body, free of political interference, to make the right decisions for the long-term future of our energy sector.

I thought that was important before. I now believe it is essential.



Russell Borthwick
Chief Executive,
Aberdeen & Grampian
Chamber of Commerce



About the survey

The 39th AGCC Energy Transition (previously Oil & Gas) survey is supported by KPMG, our partner since 2017 and Energy Transition Zone. The report has become established as a vital source of industry intelligence for businesses, policy makers and the media and the feedback gathered is instrumental in ensuring that the industry's voice is heard, enabling us to set out the practical challenges faced by the sector and ensure the necessary policy interventions are put in place.

Research approach

The online survey was updated with partner input to reflect the current environment and was live between 8th March and 12th April 2024. Direct approaches were made to previous responders, sponsor networks, other trade bodies and followed up by telephone calls to key contacts. The survey was promoted more widely through Chamber news channels and in other media. 107 businesses (12 operators and 95 contractors/service companies),collectively employing over 46,000 people in the UK, completed the survey. The survey was managed by Research Chamber, Aberdeen & Grampian Chamber of Commerce's in house commercial research arm.

Thank you

The Research Chamber/Aberdeen & Grampian Chamber of Commerce would like to thank all energy businesses who responded to this survey. Without your input, we could not have delivered this research. Your continued support is invaluable to us in meeting our commitment to bring you independent and impartial insights into the key issues facing your business and the wider sector.

We would also like to thank our partners, KPMG UK and ETZ Ltd for their ongoing support of this strategically important research work, helping the sector's voice be heard.

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Research Chamber

The Research Chamber helps businesses make better decisions and unlock growth by understanding markets, customers and competitors. We know and understand what drives business better than any external agency can. We know what's important to you and how to help you get there.

Contact us at **researchchamber@agcc.co.uk**

About the survey