

5 June 2026

Bill Esterson MP
Chair
Energy Security and Net Zero Committee
14 Tothill Street
London
SW1H 9NB

David Whitehouse
Chief Executive
Offshore Energies UK
4th Floor
Annan House
33-35 Palmerston Road
Aberdeen AB11 5QP
Tel: 01224 577250
Email: dwhitehouse@oeuk.org.uk
www.OEUK.org.uk

Dear Bill

Thank you for your letter and for the opportunity to give evidence to the Committee. I found the session constructive and welcome the chance to provide further clarity on the issues you have raised.

I agree with the areas of consensus you set out: the long-term transition to a net zero energy system led by renewables; the continued role of oil and gas well into mid-century and beyond for both energy and non-energy uses; and the importance of energy security being underpinned by homegrown energy, domestic capability, skills and infrastructure. While offshore wind, carbon capture and hydrogen will play an expanding role, oil and gas still supply around three-quarters of the UK's energy today and are expected to meet around a fifth of demand in 2050. As electricity accounts for only around a fifth of total energy use, with around 24 million homes relying on gas for heating and hot water, the central challenge is managing the transition in a pragmatic and orderly way that sustains economic activity, protects British industrial capability, and ensures taxpayers continue to see a fair and stable return from the UK's natural resources.

My evidence reflected the fact that the current tax regime is materially inhibiting investment in the UK Continental Shelf. The Oil and Gas Price Mechanism (OGPM), a permanent windfall tax, was designed to apply during periods of genuinely exceptional prices while providing greater predictability and investment certainty outside those conditions. The core issue is therefore not a simple comparison of headline tax rates, but the overall fiscal outcome that results from different investment and production paths.

The £3 billion figure I referenced is indicative of additional Exchequer revenue that would be generated through the OGPM in a 12-month period with sustained higher commodity prices compared with the forecast receipts in the tax year 2026/27 from the OBR prior to the commencement of the war in Iran.

Under OEUK's analysis, early reform to the EPL and implementation of the OGPM could unlock around £50 billion of additional investment by 2050, generating approximately £15.7 billion in additional tax receipts over that period and contributing materially more to the wider economy. These figures are cumulative rather than annual and reflect the interaction between investment decisions, production profiles, prevailing prices, and the fiscal regime. In contrast, expected EPL revenues have fallen sharply as UK output has declined, with the Office for Budget Responsibility revising forecast receipts for 2023-2028 down by more than 60% between November 2022 and March 2026. With EPL in place until 2030, investment in the sector will continue to decline, resulting in reducing and unsustainable tax receipts.

Additional investment would be expected to deliver increased production from a combination of sources: further development and life extension within existing fields, tiebacks to existing infrastructure, and, over the medium term, new developments within already licensed acreage. In a net zero-consistent pathway, the UK is expected to require in the region of 10-15 billion barrels of oil and gas to 2050 but is currently on track to produce only around 4 billion barrels over that period. With competitive and stable tax and licensing policies, analysis suggests the UK could produce around half of the oil and gas it will still need, reducing reliance on imports rather than increasing total demand.

2/.

This matters for both security and emissions. Domestic production currently meets around half of UK gas demand and alongside domestically produced oil, helps keep critical pipelines, terminals and onshore infrastructure viable. Domestic gas also has materially lower lifecycle emissions than imported LNG, which is typically around four times more carbon intensive and must be shipped across global supply chains. As the UK has very limited gas storage compared with EU counterparts, it relies on steady domestic production and Norwegian pipeline flows for resilience; when domestic output falls, the system becomes more exposed to global price volatility, freight disruption, and competition for LNG cargoes.

On delivery timescales, these vary significantly depending on a project's stage of development. While it has been suggested by some commentators that new licences typically take between five and ten years to translate into production, the available evidence does not support a single, fixed timeline. In September 2022, the North Sea Transition Authority wrote to the Chair of the Environmental Audit Committee confirming that, from 2004 onwards, the average time from licence award to first production has been approximately five years, covering both new and mature discoveries. Industry evidence aligns closely with this.¹ OEUK analysis shows that discoveries made in the last decade that were subsequently developed reached first production in an average of four years and eight months, reflecting the benefits of existing infrastructure and established supply chains in the UKCS.

Practical experience also demonstrates significant variation in timelines, with many projects proceeding considerably faster than longer estimates sometimes cited in public debate. By way of example, Apache's Garten field was discovered in 2018 and producing by 2019, while the West Franklin reservoir, discovered in 2003, achieved first production in 2007, with a second well online the following year. It is also important to distinguish complex, first-of-a-kind developments from subsequent projects that are able to come on stream more quickly by utilising existing hubs and infrastructure. Taken together, this evidence highlights the importance of context in development timelines and demonstrates that five to ten years, or longer, should not be treated as a typical or default benchmark.

Irrespective of precise timelines, licensing decisions taken today have immediate effects on investment behaviour. Policy stability shapes capital allocation, exploration and appraisal activity, and the willingness of supply chain companies to remain anchored in the UK. Where confidence is lost, activity and capability decline well before any production would otherwise begin. For Scotland's north-east in particular, these decisions materially influence workforce retention and infrastructure availability through the late 2020s and early 2030s, which will be critical years for the scale-up of transition technologies.

I hope this additional detail is helpful and supports the Committee's consideration of how best to manage the transition in a way that strengthens energy security, supports economic resilience, and delivers sustainable returns to the Exchequer. I would be very happy to provide any further clarification or more detailed analysis if that would be useful.

Yours sincerely



David Whitehouse
Chief Executive

¹ North Sea Transition Authority (NSTA), Letter from the Chief Executive of the North Sea Transition Authority relating to issues raised at the 7 September 2022 oral evidence session, 23 September 2022, Environment Audit Committee, UK Parliament, available at: <https://committees.parliament.uk/publications/30202/documents/174941/default/>.

Estimate of Additional Production Taxes 2026/27

		Production Related Taxes (£billion) 26/27
A	OBR Forecast for Total Production Related Taxes (CT/PRT/EPL): 3rd March 2026 The OBR forecast does not assess the commodity price impact from Iran war	£2.5
B	Revised Forecast for Production Related Taxes (CT/PRT) Forecast based on prices as per 23rd Marc 2026: Oil \$103 USD per bbl Gas £1.4 per therm	£4.3
C	Additional OGPM Revenue @35% above £0.9 per therm and \$90 per bbl Assessment of OGPM tax revenue @35% additional tax above £0.9 per therm and \$90 per bbl	£1.4
D	Total Tax Paid (B+C) This is an assessment of the total production related taxes under increased prices	£5.6
E	Additional Production Related Taxes paid versus OBR forecast (D-A)	£3.1