

Decommissioning Industry Body Welcomes Increased Certainty for Sector

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Decom North Sea (DNS), the offshore oil & gas decommissioning forum, has welcomed changes in the Budget that will boost the sector by giving increased certainty, in turn leading to new jobs and investment in new technology.

With annual decommissioning expenditure in the North Sea forecast to top £1billion within a few years, DNS had called for the Budget to provide long-term certainty. The forum has more than 200 members drawn from across the full spectrum of the industry including operators and contractors.

DNS Chief Executive Brian Nixon said: “The Chancellor’s confirmation of tax relief through Decommissioning Relief Deeds will help ease one of the greatest concerns facing the North Sea industry and lead to investment and ultimately more jobs.

“Once assets have been recognised as nearing the end of their economic lives, we believe the Budget will lead to operators being able to move forward with their decommissioning plans, which will in turn help to reassure the hundreds of supply chain companies and encourage them to consider investment in new equipment or tooling or to attract new staff.”

He added: “Our members will welcome the greater interest and investment in mature fields from independent operators that will be stimulated as a result. The whole industry, from operators to supply chain companies will benefit enormously from the clarity on future market activity and timing of decommissioning projects that will result from the change.

“While Decom North Sea does not promote the acceleration of decommissioning under any circumstances, there is a real need for a steadier flow of decommissioning activity in order to create a viable market. Only when the industry has confidence in this market and individual programmes will it respond with the levels of investment and innovation required to drive efficiency and reduce costs.”

Expenditure levels on decommissioning are forecast to rise steadily from a current level of about £500million to over £1billion per annum within the next two to three years, perhaps reaching as many as 10 decommissioning projects each year.

This is an increase on initial projections, which put the cost of decommissioning North Sea oil and gas facilities at between £24-30 billion within the same period to 2040 – and there is every chance the figure could rise again in future. When Norwegian, Danish and Dutch oil & gas facilities are included, the figure is expected to double.

The sector is at an early stage of its development, with only a small percentage of the infrastructure in the UK sector of the North Sea having been decommissioned to date.

Activity will ramp up in the coming years, requiring significant investment by the supply chain, and significant expenditure by operators and the Government, to ultimately remove more than 600 installations and associated infrastructure, around 5000 wells and close to 10,000km of pipelines.

Mr Nixon added: “There are huge business opportunities for contractors, service specialists, equipment providers, technology developers, consultants and professional service companies from around the North Sea. We welcome today’s announcement in the Budget and look forward to working with our members and the wider industry to maximise potential opportunities over the coming years.”

About Decom North Sea:

Decom North Sea was established in 2010 in response to the needs of industry. The body is working to enhance knowledge transfer and facilitate collaborative activities to ensure the maximum business potential for its European member companies.

For further information about Decom North Sea, visit www.decomnorthsea.com

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