



Media Release

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Energy job losses continue but optimism rises

- *Lean times for sector as 67% of businesses shed staff*
- *43% cut pay and 40% significantly change staff benefits as companies adapt to low oil price world*
- *Job losses expected to slow as industry approaches rock bottom*

There has been no slowing in the job losses in the oil and gas industry this year, and there are further cuts to come, but the crisis could be reaching a turning point, according to an industry report released today.

The stark findings of the 25th Oil and Gas survey, conducted by Aberdeen & Grampian Chamber of Commerce in partnership with the Fraser of Allander Institute and sponsored by national law firm Bond Dickinson, reveal that more contractors have reduced both their permanent and contract staff than at any other point in the history of the survey and fewer are working at or above optimum levels than ever before.

While more than two-thirds of employers shed staff over the past year - by 15% for operators and 7% for contractors - there are some positive signs that the rate of employee cuts could slow in the year ahead.

Six months ago, operators were predicting a 17% reduction in numbers which has now fallen to 5%, with a similar reduction from 2% to 1% by contractors.

Confidence levels have also improved for both the UK Continental Shelf (UKCS) and internationally over the past 12 months, albeit from the lowest point since the first survey in 2004.

Twelve percent of contractors are more confident about their activities in the UKCS in the current year, compared to 7% in May, while 47% - down from 75% - are less confident.

Optimism concerning current international activities has also improved in the past six months.

Two out of three respondents believe the sector has already reached the bottom of the current cycle, or will do so within the next year, and a further 25% feel it will be within the next one to two years.

As the industry has worked to drive down costs and adapt to the new low oil price landscape, the survey reveals that 43% of respondents have reduced pay in the past year, including 15% who cut it by average of 10%.

In addition, 40% of all firms - compared to 25% in the previous survey - reported making significant changes to terms and conditions. This is not only salary and bonus payment reductions, but also in changes to shift pattern and working hours, pension contributions, medical plans and benefits packages.

James Bream, research & policy director at Aberdeen & Grampian Chamber of Commerce, said: "We're likely to remain in an uncertain position through 2017 and 'the bottom' will arrive at different times and feel different for each company.

"It is clear that companies are striving to become fitter, leaner and they are working hard to look for new markets to secure their future and employment levels where that is within their control.

"There is no question of complacency in the North-east and our brilliant people will continue to demonstrate that the oil and gas sector should be considered a success story in generating economic value for the UK economy."

Uisdean Vass, oil and gas partner at Bond Dickinson, said: "The green shoots of recovery may be beginning to push through.

"People are slightly more optimistic about the future for both the UKCS and the international oil industry but the improvement is from a very low point.

"The industry has had to adapt and embrace change and agility and companies are emerging from the oil slump as far leaner operations that are more competitive on price and performance.

"Sadly, this has come at the great cost of many thousands of jobs but companies who have shed staff have simply had to rationalise or die."

Trends in business activity

In the spring of 2013, a peak of 79% of contractors were working at or above optimum levels.

This has steadily declined and only 12% of contractors have been working at or above optimum levels, the lowest figure since the survey began in 2004.

Seventy nine percent of contractors said they would "definitely" or "possibly" be more involved in decommissioning in the next three to five years, and 53% said they would "definitely" or "possibly" be more involved in renewables.

Seventy percent expect to be involved in unconventional oil and gas activity in the UK, with 64% involved outside the UK.

Current industry challenges

Despite most firms (58%) expecting the decision to leave the EU to have no impact, almost a third (31%) expect the result to have a negative impact and 8% felt that the impact would be extremely negative. Only 3% predict a positive impact.

Ninety one percent of firms said the oil price fall since 2014 has had a negative impact on their businesses, with almost three quarters reporting the effect as extremely negative. Seven percent reported no impact and 2% reported a positive effect.

The Oil & Gas Authority (OGA), which was established as an independent government company in October, appears to be starting to have an effect.

Forty percent of operators said its creation has had a positive impact on their businesses.

Of those asked if skills shortages might arise in the future because of poor workforce planning, 39% said “yes” but thought it could be avoided. A further 27% also thought it was the case, but was unavoidable

Ends

Notes to editor

- The 25th Aberdeen & Grampian Chamber of Commerce Oil and Gas Survey is independently conducted by the Fraser of Allander Institute. Established in 2004, the 25th survey was conducted in September 2016 and represents the views of 130 firms employing a total of 308,661 employees in the UK.
- Uisdean Vass, oil and gas expert from Bond Dickinson and James Bream from Aberdeen & Grampian Chamber of Commerce are available for media interviews. Please get in touch with the relevant contact below.
- Aberdeen & Grampian Chamber of Commerce (AGCC) is North-east Scotland's leading private sector, member-focused, business organisation. The Chamber represents more than 1,300 businesses with around 130,000 employees in the private sector covering all industry sectors, ranging in size from sole traders to multi-national corporations.
- Bond Dickinson is a leading UK law firm providing a comprehensive legal service to clients across a wide range of sectors, from seven cities across the UK including London. Its Oil and Gas team is one of the most respected in the sector, with specialist lawyers providing cutting edge advice on all Exploration and Production activities as well as on all aspects of law affecting oil & gas service companies in their day-to-day activities. Clients include super-majors to large independents, AIM-

listed companies and SMEs in both the upstream Exploration & Production (E&P) arena and the service sector.

- The Fraser of Allander Institute is a research unit of the University of Strathclyde in Glasgow and is formally part of the Department of Economics and the Strathclyde Business School. The Institute carries out research on regional issues generally and the Scottish economy in particular, including forecasting and the analysis of short-term and medium-term movements in Scottish economic activity.

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