



**Cripps Sears and Partners**  
**SM E&P Networking Forum**  
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## Summary of the Discussion Topics

### **1. Is decommissioning set to be a new industry in its own right in the North Sea?**

- The approach is still each company for themselves and not collaborative.
- This is understandable though as every company is competing for capital and has its shareholders to please.
- This is clearly a significant task ahead and the government is a key controlling factor here.
- UK could take this as an opportunity to lead the world in decommissioning.
- Collaboration is happening at a technical level between JV partners, but less so at a more senior/corporate level.
- It is understandable that it is not happening at corporate level given the different strategies and sizes of companies e.g. Shell v Perenco.

### **2. Many oil companies are focusing on reducing cash exposure to keep shareholders and debtors at bay - the future potential growth of the oil industry is being irreparably damaged. Is there another way?**

- The industry can do more to help shareholders understand the opportunities to invest.
- The sector has been on the naughty step for too long – oil and gas companies now need to look again towards growth.
- Investors have a choice of investments so the industry needs to make itself attractive. It needs an attractive story now.
- Stories of cost cutting may be good for existing investors but does not attract new investors – perhaps it is time to change the story and talk about future returns.
- Debtors are now having to think more like investors.

### **3. Good upstream A&D is the marriage of money to opportunities. Are both the assets and the money in the wrong hands at the moment?**

- Large companies have been looking to exit the North Sea for a while now.
- There has been a lack of access to money for small and medium sized companies.

- Significant interest from private equity buyers but there has been a lack of transactions. This is likely to change over the next 6 months.
- If the assets for sale were packaged into smaller bundles the smaller companies would be able to more easily access these.
- Smaller companies could collaborate to buy packages of assets.
- The quality of the assets and risk on decommissioning liability has slowed progress here.

**4. Is the changing oil price purely driven by traders?**

- It has been stated that there is 1% oversupply currently - the same as when oil was at \$100+/barrel.
- This points to traders' having more influence over the actual price than just market forces.
- The oil price is more volatile now due to instant news being available.

**5. Are consultant market prices returning to levels appropriate for the current oil price or are agencies / individuals holding them artificially high?**

- Contractor/Consultant day rates have been reduced significantly globally.
- There is context though that these have been rising substantially in the 5 years prior to the
- It has taken time for contractors' expectations to be aligned with these reductions – particularly with expatriate contractors.

**6. Given the continued slow rate of regulatory progress, when will we see meaningful volumes of shale gas produced in the UK?**

- It is difficult to compare the UK with the success story of the US shale boom.
- The US is a very different story to UK given the density of population, ownership of the land and regulations.
- Broadly speaking the oil and gas industry does not have good public relations, and therefore lacks the appropriate support.
- The surface demographics in Europe are not conducive to shale gas recovery.
- Sharing of profits with the nearby landowners may help e.g. Ineos.

**Other Topics on the Agenda included:**

- As the UKCS matures and decom looms is the current separate investor/service companies model appropriate? Would an integrated model work better?
- Is the OGA likely to be effective enough when it continually states that commercial intervention is not within its remit?
- Is the oil price/gas price linkage finally dead?
- Despite the uncertain oil price and market volatility there is significant transactions activity".
- Change is opportunity: can the smaller companies set the agenda for the next phase of the UK North Sea?
- If oil prices are not going to rescue owners of ageing infrastructure, how far can they go in terms of pricing services to attract new business to extend the life of their facilities and delay decommissioning?
- "Is the OGA going to provide the impetus required to improve the viability of the UK upstream sector, or is it more likely to add an additional layer of bureaucracy that will mainly burden the smaller players?"
- Is Brexit going to have any impact on oil and gas companies working in Europe?
- Where does someone over 50 find a job?

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