

Local content

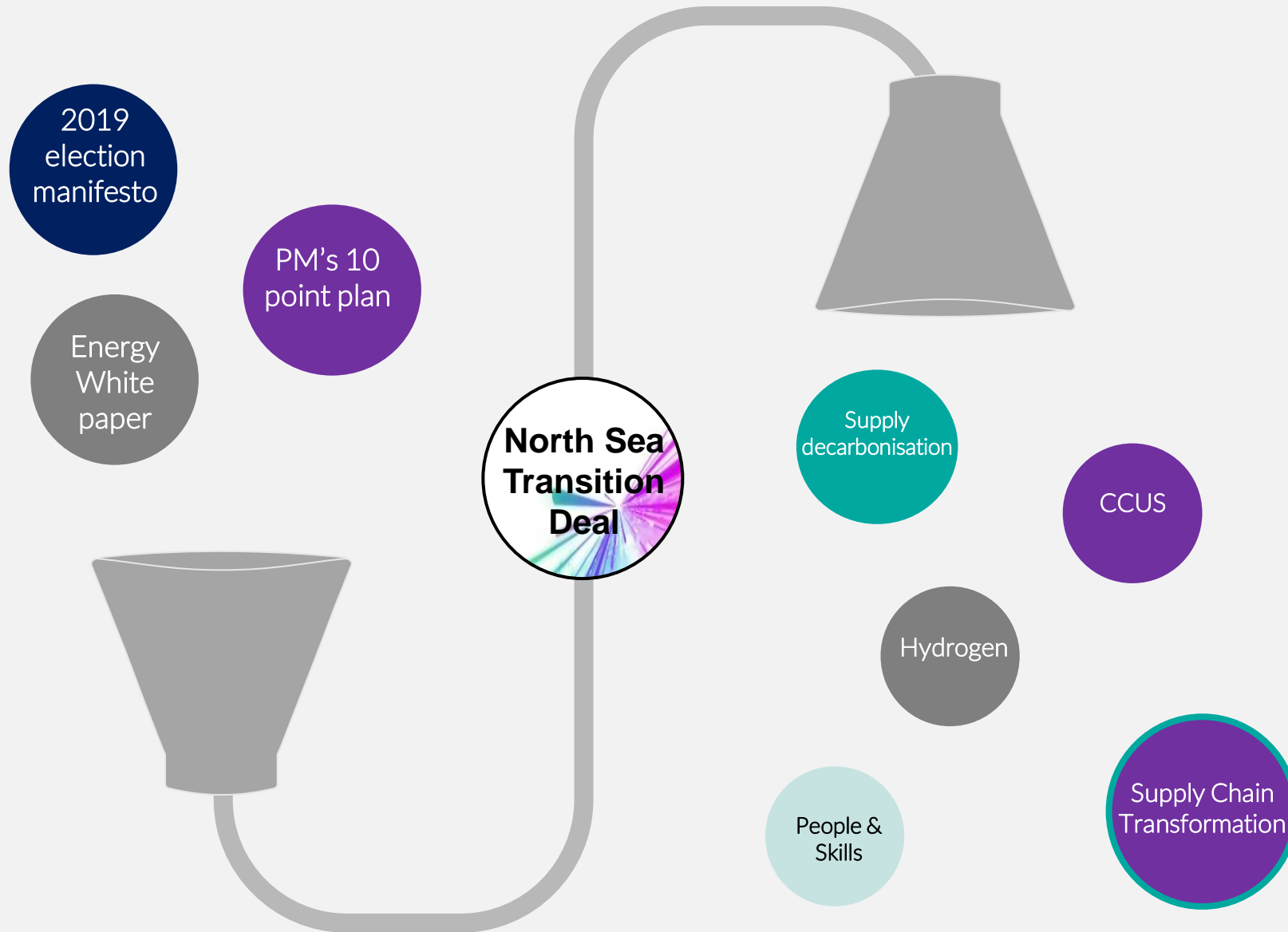
Delivering the implications of NSTD

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What I'll cover today

- 1 What's this **all about?**
- 2 What is **in scope** of the NSTD?
- 3 How is it likely to **work?**
- 4 What does the **supply chain** response need to look like?

What “even is” the NSTD?



What's “in scope” of the NSTD?

Any project that is:



In the UK / UKCS, and....



Involving low carbon energy on & offshore, including:

CCUS transportation and storage (but not onshore emitter capture*)

H2

Electrification

Decommissioning / repurposing

Floating wind



Offshore fixed structure wind falls outside of this, but has similar obligations which are managed separately

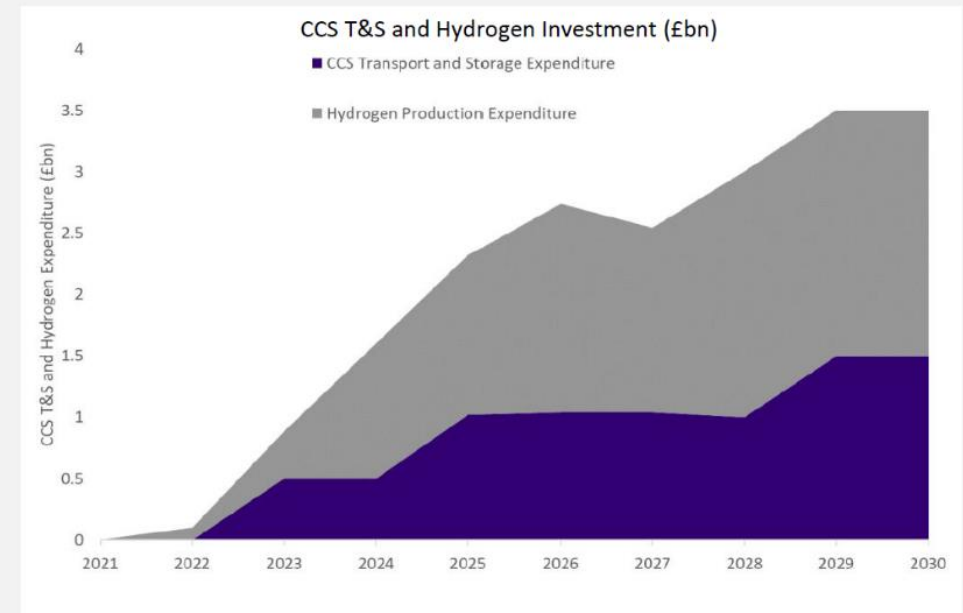
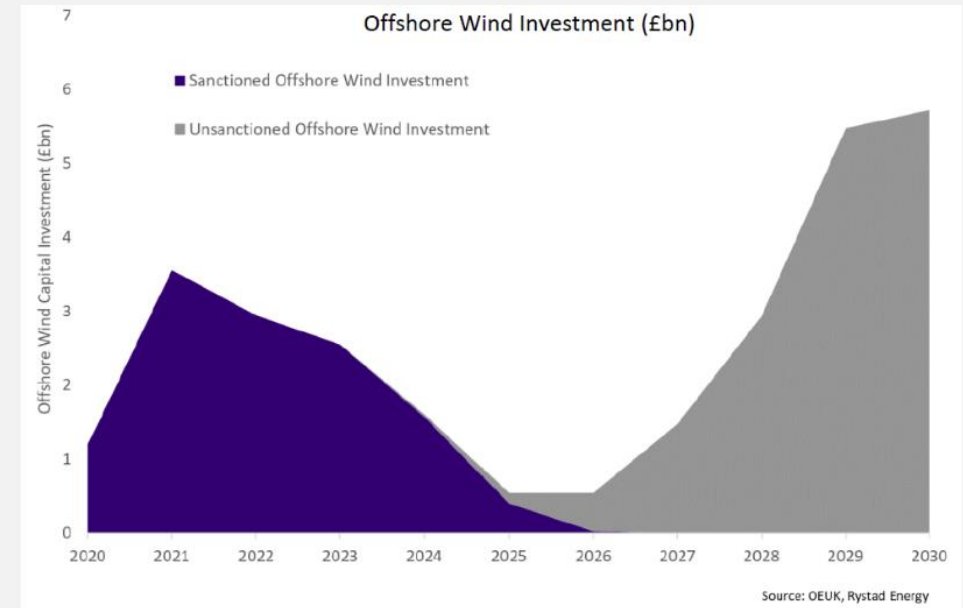


Societal expectation to “do the right thing” **probably transcends formal obligations***, particularly if a company has scope inside the NSTD

Strong growth predicted in the UK

£60-70bn of possible capex in projects 2022-30 backed by companies transitioning from oil and gas

Government challenge to accelerate pace, however investment risks remain across all areas

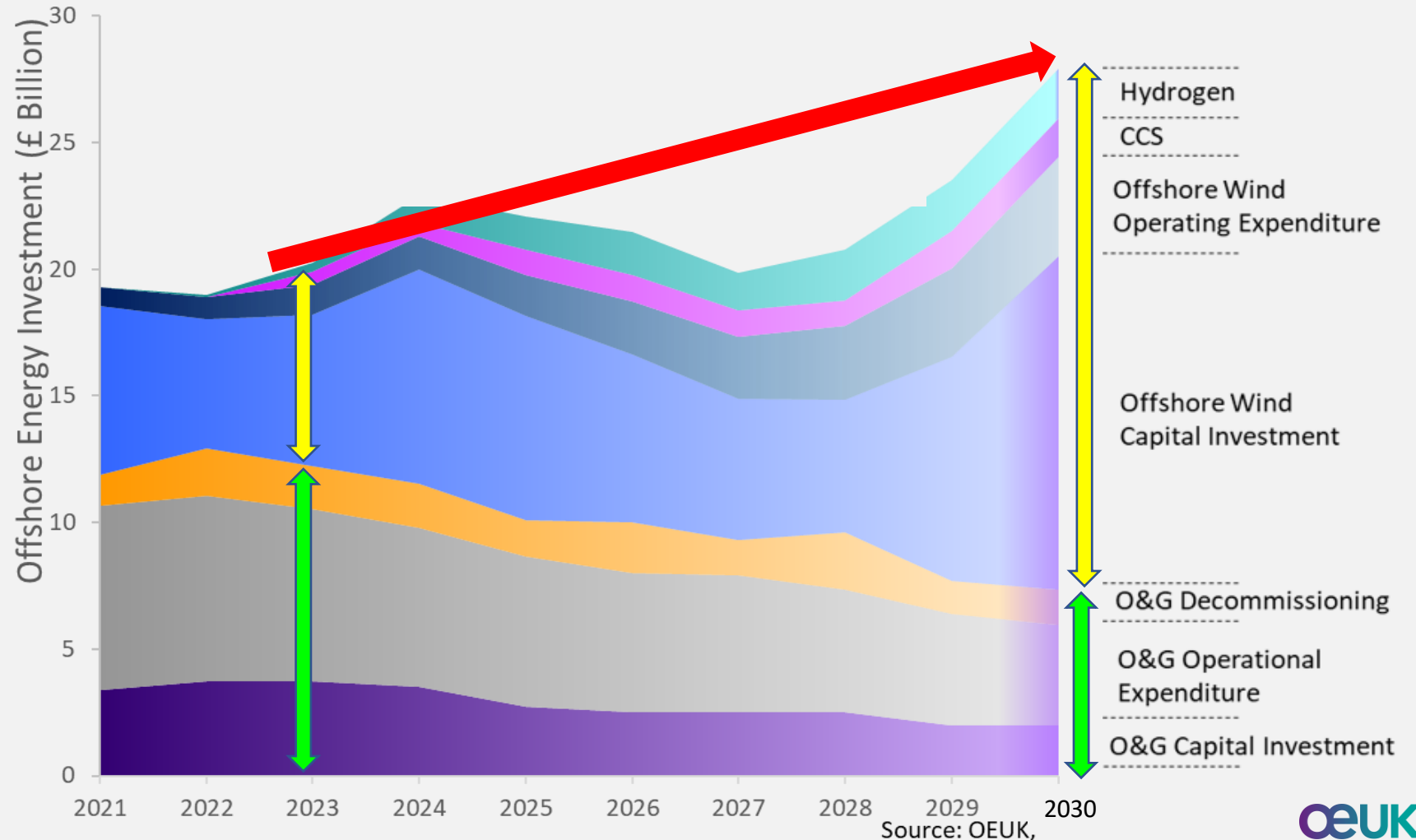


New energies moves from 50% to 80% of addressable market by 2030. Market increases by +50%

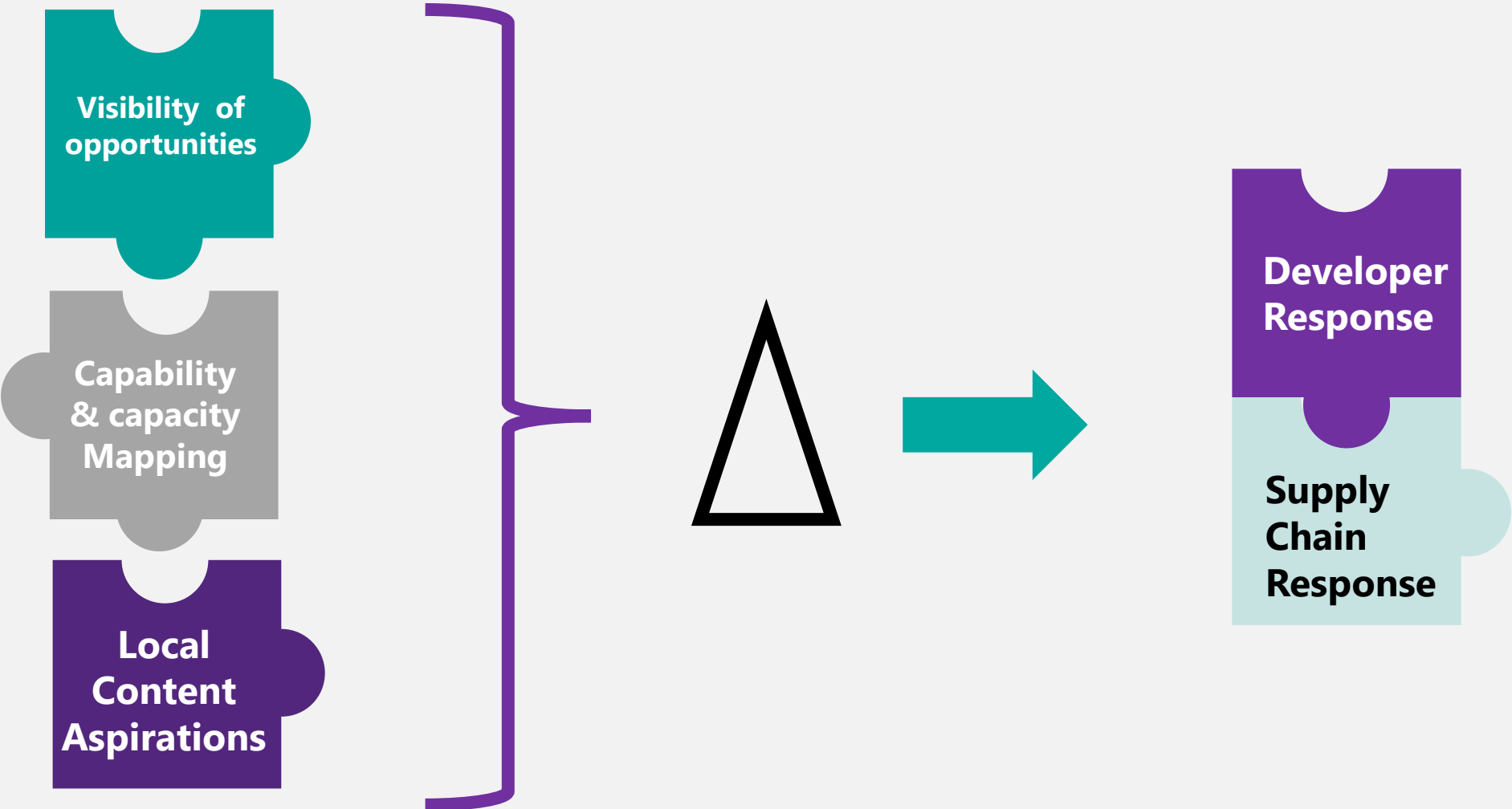
The addressable market is increasing significantly

Oil & Gas CAPEX is a small (but important) portion of the supply chain opportunity

Recent global events are providing even more velocity to this change



Lots of pieces come together



“Commitment = an obligation that restricts freedom of action.....”

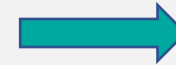


Commitment to achieve
50% UK content by 2030

Commitment for **30%** of
technology to be “locally
provided” by 2030



SC&E Taskforce
asked to develop
proposals for how
this commitment
can be delivered
in practice



The following
principles have been
developed, **for
discussion**

How will local content be delivered – draft principles



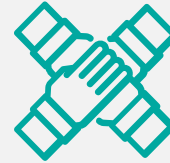
SCAPs will be the vehicle to record, agreed, monitor and track UK content, data from these will be used for future benchmarking and reporting



“UK Content” defined as contracts placed with companies with established UK businesses, employing people in the UK. Further detailed materials being developed but designed to align with existing models used elsewhere in the UK



As currently happens for oil and gas projects: SCAPs will be required from operators for all projects, with any subsequent contracts **above £25m** placed by Tier 1 contractor also producing a SCAP



The **Supply Chain** must demonstrate that they have skin in the game – specifically in terms of delivering increased capacity, capability, competitiveness and delivering new technologies



Operators to be asked to require UK options for each phase of their project tenders, with the SCAP capturing any delta between that and any lower cost international options



There is an urgent need for a different approach to the timing of investment in the capacity and capability of the supply chain – **releasing funding ahead of formal FID**, following fair tendering, to allow for ramping-up ahead of the project timeline. The sources of funding, or insurance against this funding will be a key issue.

Supply chain actions – ...with opportunity comes responsibility



**Maximise the
opportunity**



**Build capacity
for 30%
UK technology**



**Build capacity
for 50%
UK content**



**Address
capability gaps**



**Achieve global
competitiveness**



**Optimise the
period of transition**

So what?

The energy transition always included:

- *Security of supply*
- *Careful stewardship of domestic oil & gas production*
- *The optimum journey to net zero*

- 1 The energy transition requires **“all energies”**
- 2 This will mean a very **large volume of capital projects** to be executed
- 3 There is a **high degree of overlap** between the supply chains that serve different “energy types”
- 4 NSTD entails 50% of this work (and 30% of technology) to be **sourced from the UK**
- 5 This is both an **enormous opportunity** & an **enormous challenge** for the UK supply chain

We need to “get out in front of this” or we will miss the best market in a generation