

PRESS RELEASE

SCOTTISH OIL AND GAS INDUSTRY POSTS 10 PER CENT ANNUAL INCREASE IN SALES

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Scotland's oil and gas supply chain industry posted a 10 per cent increase in sales in 2007-08, with revenues climbing to a record £14.2bn according to a new survey published today by Scottish Enterprise and the Scottish Council for Development and Industry (SCDI).

International sales increased by 19.5% to £5.7bn with activity recorded in over 100 country markets for the first time. International sales now represent over 40% of total revenue. Domestic sales grew by 4.3% to £8.5bn.

The Survey of International Activity in the Oil and Gas Sector 2007/2008 shows:

- Scottish based service/supply companies generated a record £14.2bn in domestic and international sales, compared to £12.9bn in 2006. Total sales have now more than trebled (an increase of 219%) since the first survey in 1997.
- International activity accounted for over 40% of the Scottish supply chain sales total for the first time. In 2000, the international share was 27%.
- Rapid growth in the African region resulted in the area being firmly established as the top geographic region for direct oil and gas sales. It also accounted for 15% of total international sales, second behind the North American market at 31% share.
- The top 5 total international markets combining direct and subsidiary exports were the United States, Canada, Norway, Russia and Azerbaijan. Canada showed a 236% rise in total international sales into the market. One of the principal reasons for this increased level of activity in Canada was the successful involvement of key Scottish suppliers in a number of oil sands projects. The top 5 international markets for direct exports were Angola, Norway, Russia, Azerbaijan and the United States.
- Sales activity from the oil and gas supply chain was recorded in 103 different country markets, a record high.
- For the first time, the survey specifically asked the extent to which companies traditionally selling into the oil and gas sector were beginning to diversify their business into renewable energy. Respondents specifically identifying the Renewable Energy market as a source of diversified income equated £10.8m by value.

Commenting on the results, **SCDI North East Manager Ian Armstrong** said:

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“The global reach of the Scottish oil and gas supply chain continues to extend ever wider. This powerfully demonstrates the increasing international capability of the world class supply chain which has been built in Scotland and its performance is good reason to be optimistic.

“Oil and gas will be the world’s key energy source for decades to come and the industry will be a key strength for the Scottish and UK economy in this recession and the recovery. While it is facing some challenges, with the right support, its long term prospects remain very positive.

“The 2007 results reflect the very strong levels of investment due to the high oil price. Activity levels in 2008 remained very high and it seems probable that the Scottish supply chain had another successful year. But the world economy is now in a very different place. With costs still high throughout the supply chain and the oil price much lower, oil companies are re-examining their investment plans. Moreover, smaller independent oil operators are struggling to raise necessary capital to proceed with projects and it seems likely that the current much tighter lending environment will be with us for some time to come.

“The UK Government needs to introduce incentives in the forthcoming Budget which will stimulate additional investment and help companies access finance from the banking sector, in order to maximise recovery of the estimated 25bn barrels of oil in the North Sea and support the global success of the Scottish supply chain. It is also highly important that both Government and the oil and gas industry do not lose sight of the skills needs of the sector.”

Brian Nixon, Director of Energy at Scottish Enterprise said: “The fact that the Scottish oil and gas industry continued to flourish during 2007/08 confirms Scotland’s outstanding international market capabilities and reputation as a global leader in the industry, particularly in terms of the supply chain.

“The current economic climate is undoubtedly causing new challenges for the industry but these survey findings indicate that the international outreach of Scotland’s companies will expand and we will continue to work with industry to explore opportunities and emerging overseas markets to help businesses grow.”

Ian Armstrong added:

“SCDI and the Scottish Enterprise Energy Team acknowledge the support of companies that responded to the survey. Without the excellent support we received, it would not have been possible to carry out this survey.”

For a copy of the full report click here - <http://www.scdi.org.uk/sr/Docs/OilandGasReport2007Final.pdf>