

24 January 2011

Long-Term Projection for UK Oil and Gas Revenues in the Fiscal Sustainability Report

The July 2011 *Fiscal sustainability report* included a projection for UK oil and gas revenues out to 2040/41 (pages 102-105).

The projection was based on a number of stylised assumptions:

- oil and gas prices are assumed to rise by 2.7 per cent per year from 2016 onwards. Growth of 2.7 per cent is consistent with the price rises assumed for the economy as a whole;
- oil and gas production falls by 5 per cent per annum. A drop of 5 per cent per annum is slightly slower than the trend decline since 1999;
- judgemental estimates for total operating and capital expenditure and for exploration and appraisal costs have been made. Field-level data has been augmented to allow for extra production from new incremental projects in existing fields, development of technical reserves and new exploration in order to meet the stylised production profile; and
- decommissioning expenditure is as reported by operators.

The table below includes the price, production and expenditure determinants used in this projection.

	Oil Price		Gas Price	Oil Production	Gas Production	Capital Expenditure	Operating Expenditure	Exploration and Appraisal	Decommissioning Expenditure
	\$/barrel	£/barrel	p/therm	Million tonnes	Billion therms	£bn	£bn	£bn	£bn
2016/17	108.9	67.6	65.0	48.3	15.0	6.8	7.2	1.2	1.1
2017/18	111.9	69.4	66.8	45.9	14.2	6.6	6.9	1.2	1.8
2018/19	114.9	71.3	68.6	43.6	13.5	6.4	7.0	1.2	1.3
2019/20	118.0	73.2	70.4	41.4	12.9	6.3	7.1	1.1	1.4
2020/21	121.2	75.2	72.3	39.3	12.2	6.1	7.2	1.1	0.5
2021/22	124.5	77.3	74.3	37.4	11.6	6.0	6.8	1.1	2.2

Office for
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2022/23	127.8	79.3	76.3	35.5	11.0	5.8	6.9	1.0	2.3
2023/24	131.3	81.5	78.3	33.7	10.5	5.7	6.1	1.0	2.2
2024/25	134.8	83.7	80.5	32.0	9.9	5.5	5.7	1.0	1.9
2025/26	138.5	85.9	82.6	30.4	9.5	5.4	5.5	1.0	2.2
2026/27	142.2	88.3	84.9	28.9	9.0	5.3	5.6	1.0	1.3
2027/28	146.0	90.6	87.1	27.5	8.5	5.2	5.4	0.9	1.4
2028/29	150.0	93.1	89.5	26.1	8.1	5.0	5.3	0.9	2.1
2029/30	154.0	95.6	91.9	24.8	7.7	4.9	5.2	0.9	2.5
2030/31	158.2	98.2	94.4	23.5	7.3	4.8	5.0	0.9	1.7
2031/32	162.5	100.8	96.9	22.4	6.9	4.7	4.9	0.8	2.6
2032/33	166.8	103.6	99.6	21.3	6.6	4.6	4.8	0.8	1.3
2033/34	171.3	106.4	102.3	20.2	6.3	4.5	4.7	0.8	1.9
2034/35	176.0	109.2	105.0	19.2	6.0	4.4	4.6	0.8	1.5
2035/36	180.7	112.2	107.8	18.2	5.7	4.4	4.5	0.8	1.0
2036/37	185.6	115.2	110.8	17.3	5.4	4.4	4.4	0.7	0.4
2037/38	190.6	118.3	113.8	16.4	5.1	4.2	4.2	0.7	0.3
2038/39	195.8	121.5	116.8	15.7	4.9	4.0	4.2	0.7	0.9
2039/40	201.0	124.8	120.0	15.0	4.7	3.8	4.1	0.7	0.1
2040/41	206.5	128.2	123.2	14.2	4.5	3.7	4.0	0.7	1.0