Aberdeen & Grampian Chamber of Commerce

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1st September 2026

SUBJECT: AUTUMN BUDGET 2026 SUBMISSION

The forthcoming Budget should have one overriding economic objective – to restore the confidence businesses need to invest, recruit and grow.

Our members are asking for a competitive, predictable environment in which investment and growth are rewarded rather than penalised.

The evidence from our latest Quarterly Economic Survey shows that operating costs and inflationary pressures have risen sharply, meaning investment remains weak. And taxation is now a key constraint for more than half of North-east businesses.

Nowhere is the need for a change of direction more urgent than in the North Sea, where the Energy Profits Levy has contributed to collapsing investor confidence, projects being deferred or cancelled and jobs and capital moving overseas.

Our two principal asks for this Budget are therefore:

1. Lift the tax burden on business and make competitiveness and growth the test for future fiscal decisions

2. End the Energy Profits Levy at the end of the current tax year and introduce the permanent Oil and Gas Price Mechanism from April 2027.

These measures would send a powerful signal that Britain once again intends to be a competitive place to invest and do business.

1. Lift the tax burden on business

The Government has rightly identified economic growth as a national priority. The tax and cost environment facing employers must now be aligned with that ambition.

Our Q2 2026 Quarterly Economic Survey, conducted as part of the British Chambers of Commerce network, gathered responses from 4,744 businesses employing more than 650,000 people across the UK. In Aberdeen and Grampian, 122 companies employing more than 15,000 people responded, 70% of them SMEs and 61% operating outside the energy sector.

The findings show businesses under considerable pressure. Inflation is now a growing concern for 68% of North-east businesses, up from 37% in the previous quarter, while 55% identify taxation as an increasing concern, compared with 51% nationally.

Businesses are simultaneously absorbing substantial increases in their operating costs. Some 73% report pressure from labour costs, 71% from utilities, 67% from fuel and 51% from raw materials. The pressure from utilities and fuel - ironically - is 15 percentage points higher in the North-east than across the UK. Those costs ultimately reach consumers. Some 58% of North-east firms expect to increase their prices, ten percentage points above the UK figure. This is the vicious circle government must break.

Higher taxes and employment costs squeeze margins. Businesses respond by raising prices, reducing investment, slowing recruitment or absorbing costs which weaken their capacity to grow. Consumers then face higher prices while economic activity, jobs and productivity suffer.

This is already evident in our investment data. More than a third of North-east firms are reducing capital investment, while only 13% are increasing it. Only 11% expect to increase investment in staff training, while almost a third are cutting it.

The message from business is not ambiguous. When asked what government should prioritise, respondents called for economic growth to be placed at the centre of policy and for a more competitive tax environment. Their specific requests included lower employer costs, reduced business rates, tax reform to encourage investment and protection from punitive taxation.

These findings echo warnings now being made by major employers nationally. Allan Leighton, chairman of Chamber member BrewDog and executive chairman of Asda, has warned that the current economic model is inhibiting growth by imposing heavy taxation and costs on consumers and businesses.

As he put it: “When that happens, consumers spend less, their confidence goes down, and businesses invest less. You don’t have to go to Harvard to work that out.”

We agree. The Budget should therefore represent a decisive break from the cycle of continually increasing the cost of employing people and doing business in Britain. A nation cannot tax itself into prosperity.

At a minimum, the Chancellor should avoid any further increases in taxes or mandatory employment costs on businesses. More ambitiously, the Treasury should use this Budget to begin reducing the overall burden, prioritising measures which lower the marginal cost of employing people and incentivise capital investment, productivity and growth.

Growth cannot simply be declared a government priority. The fiscal environment has to make it possible.

2. End the Energy Profits Levy and introduce its permanent successor from April 2027

The most acute example of an uncompetitive tax regime can be found in the North Sea. Oil and gas producers currently face a headline tax rate of 78% as a consequence of the Energy Profits Levy.

Whatever justification existed for an emergency windfall tax during the exceptional commodity-price environment which followed Russia's invasion of Ukraine, the EPL has evolved into something very different: a prolonged fiscal penalty which is now undermining investment in a mature basin competing for internationally mobile capital.

The consequences are increasingly visible in Aberdeen and the North-east. Investment is being redirected overseas, projects have stalled, highly-skilled jobs are being lost and supply-chain companies are being forced to make increasingly difficult decisions about where their future lies.

The Chamber has already written to the Chancellor warning that further increasing or extending the EPL could further accelerate job losses, drive billions of pounds of investment overseas and inflict lasting damage on an industry which remains strategically important to the British economy and energy security.

This is not a theoretical future risk. The Government's own figures show that 20,955 North Sea jobs have been lost during this Parliament alone. BP – which has anchored the North Sea energy sector for six decades – has just announced it is leaving the basin, supply chain businesses are cutting headcount and investment that could have come to the UK is increasingly being deployed elsewhere.

One major Aberdeen-headquartered energy services company, OEG, has already publicly questioned whether retaining its global headquarters in the city makes sense if North Sea activity continues to decline. Others have already acted or are maintaining a watching brief.

Our Energy Transition 43 research provides compelling evidence of the damage being done. Businesses report a growing divergence between the UK Continental Shelf and international markets. Confidence in the UKCS remains deeply negative while optimism internationally is increasingly positive. Government policy and fiscal uncertainty, particularly the EPL, windfall taxation and the absence of long-term certainty, emerged as dominant explanations.

The result is capital flight in plain sight. And further erosion of our industrial base.

Respondents forecast that, within five years, overseas markets will overtake the UK as their main source of revenue. The report identifies UK policy uncertainty, taxation and declining North Sea activity as important push factors, while stronger investment pipelines and more commercially attractive markets are pulling companies overseas.

You cannot tax revenues from investment which does not happen, production which has ceased or workers whose jobs no longer exist here.

Yet this is emphatically not an industry which believes the North Sea has run its course. Some 93% of Energy Transition 43 respondents agree or strongly agree that there remains a future for North Sea oil and gas activity if the right fiscal and regulatory framework is established.

The same survey found overwhelming support for changing the current approach in response to geopolitical and energy-market conditions, with 93% supporting greater flexibility in regulation and taxation.

There is also a striking consensus on timing. When asked when the Oil and Gas Price Mechanism should be introduced, 84% selected 2026, while 88% agreed or strongly agreed that introducing it before 2030 would unlock additional North Sea investment and activity.

Analysis suggests an early policy reset could unlock £50billion of additional oil and gas investment, increase tax receipts by more than £13billion over the next decade and support tens of thousands of jobs. That is money which can fund schools, hospitals, defence and other public services.

The Energy Profits Levy should end at the conclusion of the current tax year, with the permanent price based successor regime taking effect from April 2027. This would not be a giveaway to industry. It would be a pro-investment reform designed to maximise economic activity, employment and ultimately Treasury revenues.

That investment matters not simply to oil and gas operators but to the enormous ecosystem of engineering, manufacturing, technology, professional services and supply-chain businesses headquartered across the North-east and in industrial communities across the nation.

Those are also many of the same companies whose skills, balance sheets and people will be required to build Britain's offshore wind, carbon capture, hydrogen and wider low-carbon industries – but there is a real risk they will not still be here to build out our new energy future.

Punishing the incumbent industry faster than replacement sectors can scale does not accelerate a just transition. It risks dismantling the industrial base required to deliver one.

A Budget for growth

The North-east economy retains enormous strengths. It is home to globally competitive companies, a highly skilled workforce, internationally recognised engineering expertise and one of the world's most sophisticated energy supply chains. But confidence is fragile.

Government cannot control every factor affecting the economy. It cannot determine international commodity prices, eliminate geopolitical instability or prevent every inflationary shock. But it can determine how much tax businesses pay, whether Britain is internationally competitive and whether its fiscal framework encourages companies to invest here rather than elsewhere.

The Chancellor should use this Budget to make that choice. Do not increase the burden on business. Start bringing it down.

End the Energy Profits Levy and introduce the permanent Oil and Gas Price Mechanism from April 2027.

Taken together, these measures would send an important message to boardrooms in Aberdeen, across the UK and internationally: Britain is serious about growth, serious about investment, backing home grown industry and once again serious about being a competitive place to do business.

Yours sincerely,

Russell Borthwick
Chief Executive
Aberdeen & Grampian Chamber of Commerce

- Appendix One: AGCC Quarterly Economic Survey (Q2 2026)
- Appendix Two: Energy Transition 43 Report

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NORTH-EAST QUARTERLY ECONOMIC SURVEY

Q2 2026

Outlook

Green shoots cannot disguise the need for a pro-growth reset

There are moments in economic data where it is tempting to declare that the worst is over.

After all, our latest Quarterly Economic Survey shows some welcome signs of improvement. More businesses reported rising domestic sales than three months ago. Fewer saw activity decline. On several headline measures, the gap between the North-east and the rest of the UK has narrowed.

That is undoubtedly encouraging - but it would also be a mistake to read these figures as evidence that our economy has turned a corner.

Scratch beneath the surface and a different picture emerges. Much of the narrowing gap is not because the North-east has accelerated forward. It is because business confidence elsewhere in the UK has weakened.

Our region continues to face a unique combination of economic pressures which are leaving businesses more cautious, less willing to invest and increasingly focused on simply getting through the next quarter.

Perhaps the most striking finding is the dramatic return of inflation as the biggest concern facing employers. Just three months ago, 37% of businesses identified inflation as a growing challenge. Today that figure stands at 68%.

The timing is no coincidence. Global instability, particularly in the Middle East, has fed rapidly through to markets, with businesses here feeling the consequences almost immediately.

The irony will not be lost on anyone... the region that has energised Britain's economy for decades is now among the hardest hit by rising energy costs.

Seven in ten businesses tell us utility bills are driving price pressures. Two-thirds cite fuel costs, fifteen percentage points higher than the UK average. Those costs inevitably work their way through supply chains and ultimately into higher prices for customers.

Indeed, almost six in ten firms now expect to increase the price of their goods and services over the next three months. That is not because businesses want to. It is because many feel they have little alternative.

The survey also highlights another worrying trend, that our companies are still investing less than their counterparts elsewhere in the UK.

Only 11% expect to increase spending on staff training while almost one-third are cutting it back. Capital investment tells a similarly concerning story, with more than a third of firms reducing investment while just 13% are increasing it.

That matters because investment is the foundation of future productivity. When businesses stop investing in people, skills and equipment, growth becomes harder to achieve and competitiveness inevitably suffers.

Employment trends reinforce that picture. Businesses continue recruiting, in fact more employers here are actively hiring than across the UK. Yet workforce growth remains subdued. That suggests many firms are not expanding but simply replacing people who leave or struggling to fill existing vacancies. In other words, they are having to work harder simply to stand still.

Capacity figures tell a similar story. Almost three-quarters of businesses are operating below full capacity, significantly above the UK average. It helps explain why so many companies remain reluctant to commit to major investment or workforce expansion despite pockets of improving demand.

Looking further ahead, optimism remains fragile. Around one-third of businesses expect turnover to increase over the next year, but even more expect it to decline.

That level of pessimism stands in stark contrast to the national picture and reflects the particular challenges facing the North-east economy.

Yet perhaps the most important finding in the entire survey is not about what businesses fear. It is about what they want.

When asked what government should prioritise, firms delivered an exceptionally consistent message.

They want economic growth placed at the centre of policy, they want a more competitive tax environment, and they want the energy transition to succeed while protecting investment, jobs and skills in the North Sea.

The businesses we speak to every day are not asking government to choose between today's economy and tomorrow's. They are asking for a stable policy environment that allows both to succeed.

That means putting growth at the heart of decision making. It means creating a tax regime that encourages investment rather than deters it. It means providing certainty over major energy projects. And it means recognising that confidence is not built through speeches or strategies alone. It is built through consistent decisions that businesses can rely upon.

The latest survey contains some welcome green shoots. But green shoots need the right conditions to flourish.

Without the confidence to invest, recruit and grow, they risk becoming little more than a false dawn.

Russell Borthwick
Chief Executive

Survey and methodology

Established in 1989, the British Chambers of Commerce Quarterly Economic Survey is the UK's largest and longest-running independent business sentiment report.

It is widely referenced by government, its agencies, the Bank of England and national media as a definitive barometer of the health of the economy.

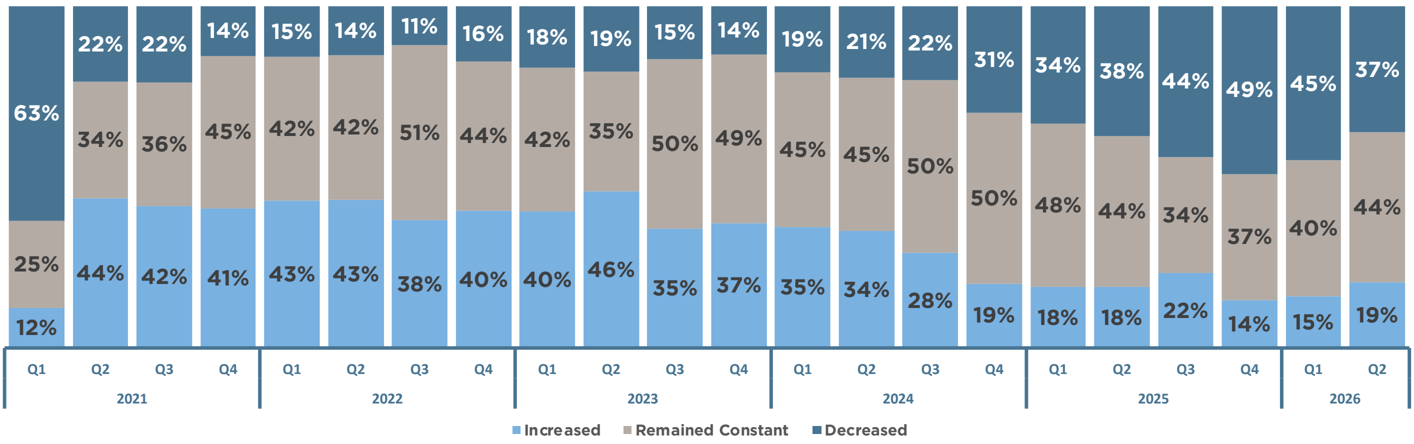
This latest edition took place between 11th May and 5th June 2026 and asked a series of questions on key economic indicators. It was completed by 4,744 businesses, collectively employing over 650,000 people across Chamber networks nationwide.

In the North-east of Scotland, we heard from 122 companies (3% of the national sample in a region representing just 0.7% of the UK population), collectively employing over 15,000 people, making the data representative. Seventy per cent of respondents are SMEs and 61% of regional respondents do not operate directly in the energy industry.

Domestic activity in Q2

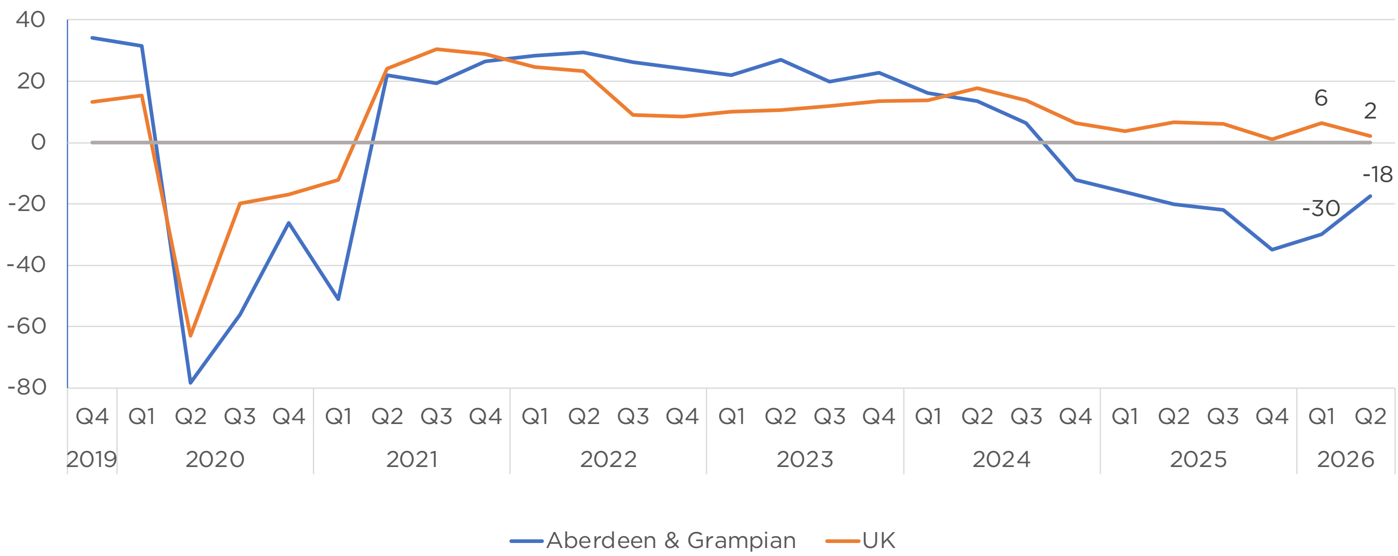
Q2 saw a small regional improvement on Q1 with a 4 pcpt improvement in companies seeing increased sales and an 8 pcpt reduction in firms saying sales had declined. We also saw a closing of the comparison gap with UK data but some of this was due to worsening national figures.

Q: "Excluding seasonal variations, over the past 3 months 'UK sales/custom/bookings have..."



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	19%	29%	-10
Remained Constant	44%	44%	-
Decreased	37%	27%	+10

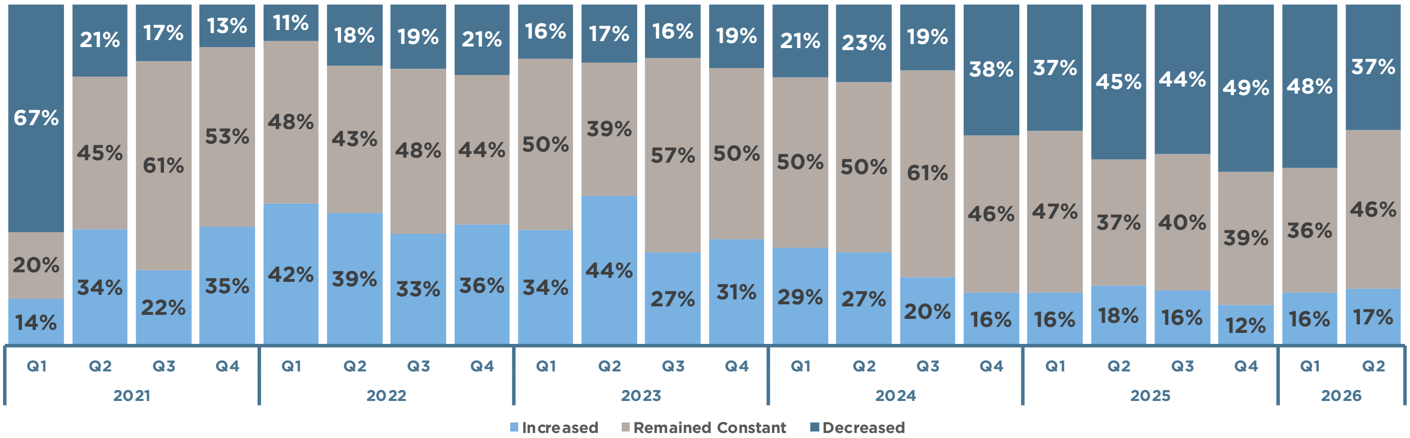
Net balance of domestic sales/custom/bookings over the past 3 months: Aberdeen & Grampian compared with UK



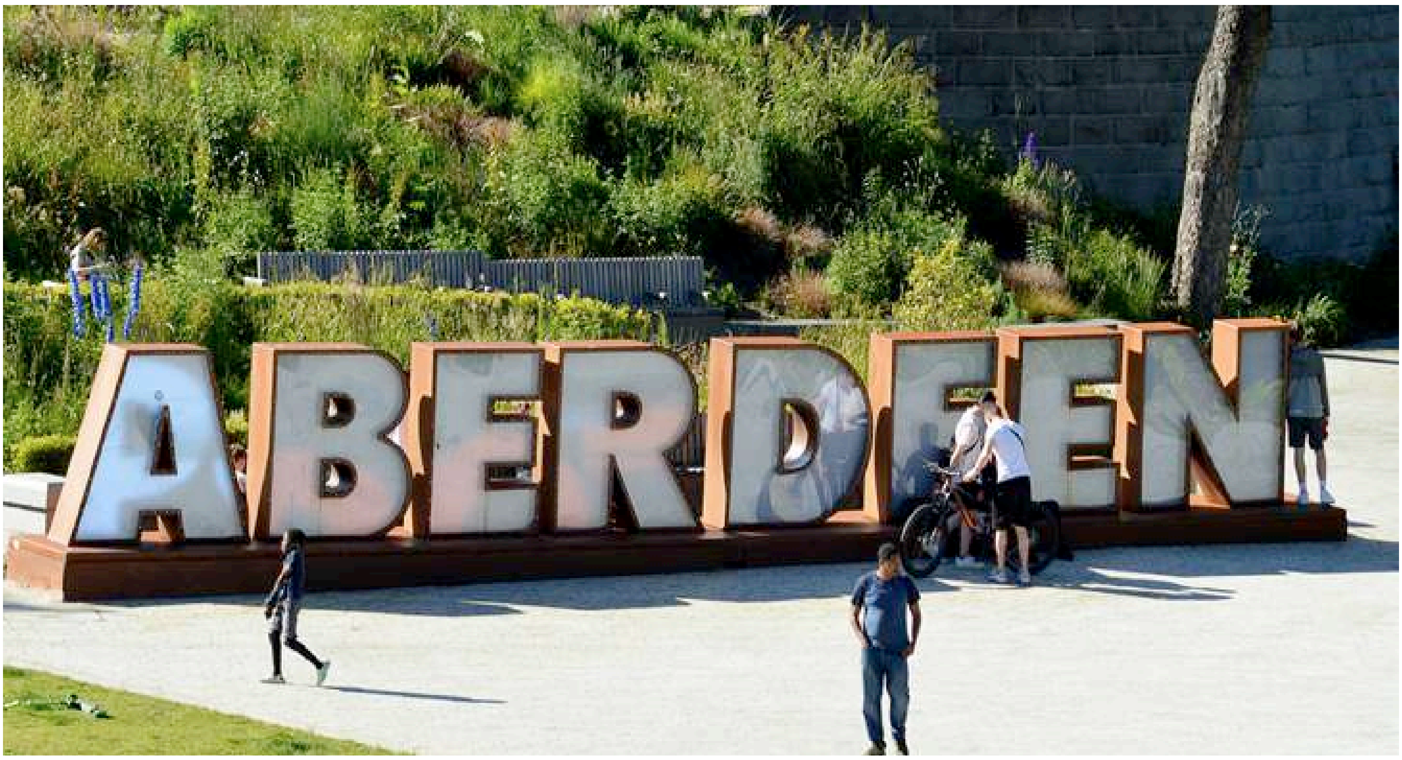
Domestic activity forecast

Domestic activity next quarter. A similar picture looking forward regionally hinting at some green shoots while, again, national data edged backwards.

Q: "Excluding seasonal variations, over the past 3 months 'UK orders/advance custom/bookings' have…"



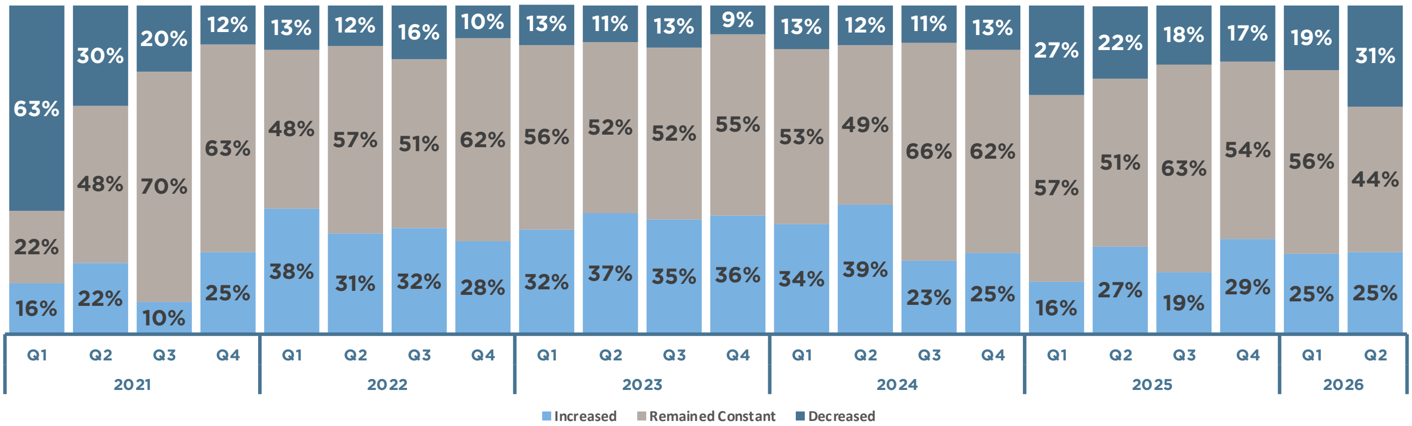
	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	17%	23%	-6
Remained Constant	46%	48%	-2
Decreased	37%	29%	+8



International activity in Q2

A quarter of regional exporters reported increased activity in Q2, in line with Q1. However, we saw a concerning hike from 19% in Q1 to 31% in Q2 of businesses saying international activity had declined- possibly linked to the global tensions and tariff uncertainty in play. Meanwhile at national level, we saw a big step back nationally from 25% to only 18% of firms saying export business had grown in the quarter.

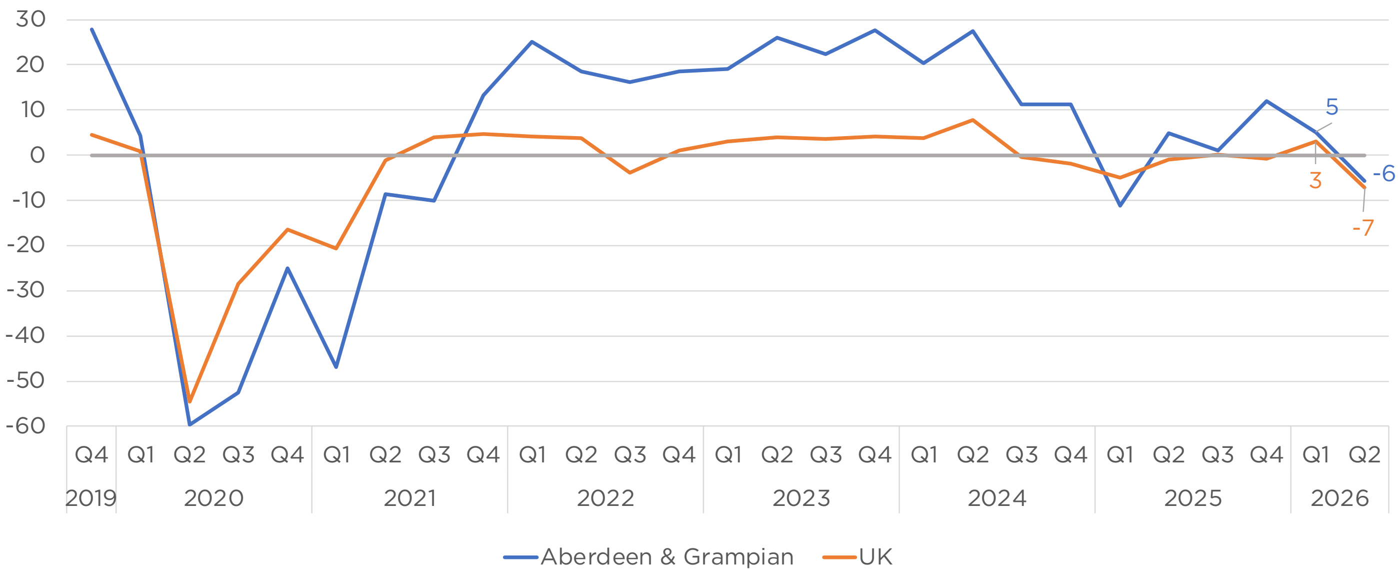
Q: "Excluding seasonal variations, over the past 3 months 'Overseas orders/advance custom/bookings' have:"



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	25%	18%	+7
Remained Constant	44%	57%	-13
Decreased	31%	25%	+6

International activity in Q2

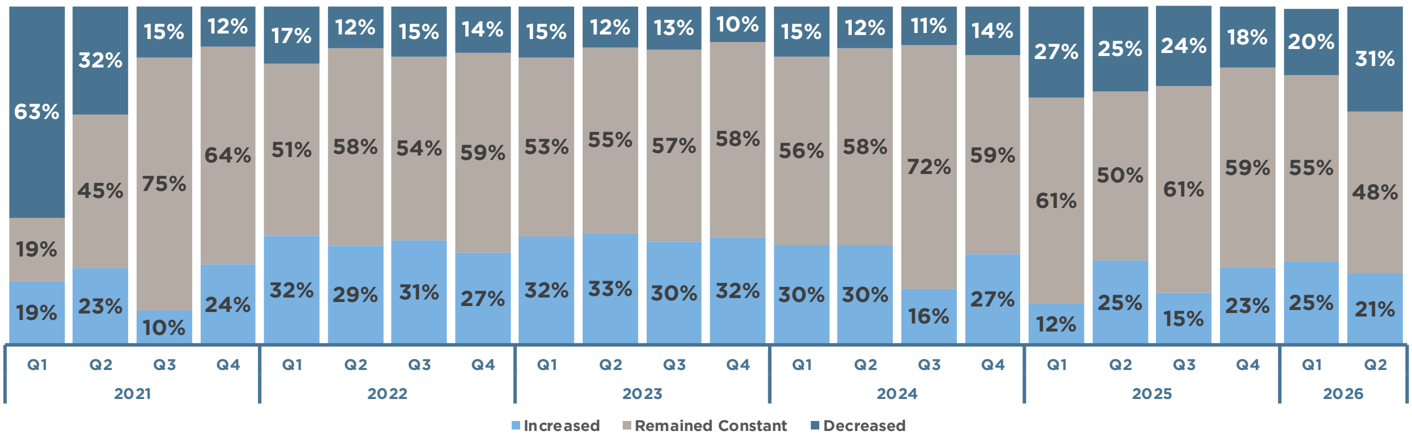
Net balance of Overseas orders/advance custom/bookings over the past 3 months:
Aberdeen & Grampian compared with UK



International demand forecasts

Looking ahead paints a similar picture with 31% of North-east firms (compared to 20% in the last survey) expecting overseas activity to decrease in the next quarter and a 21% expecting business to increase (25% in Q1). Meanwhile at a national level only 16% of respondents expect growth over the next 3 months.

Q: "Excluding seasonal variations, over the past 3 months 'Overseas orders/advance custom/bookings' have:"

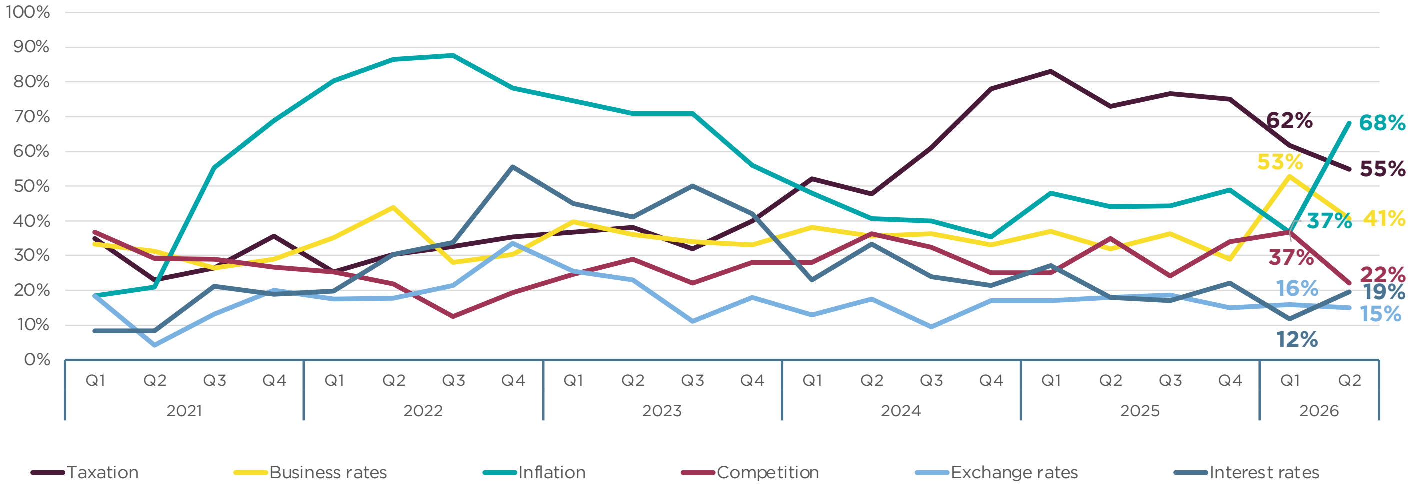


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	21%	16%	+5
Remained Constant	48%	58%	-10
Decreased	31%	26%	+5

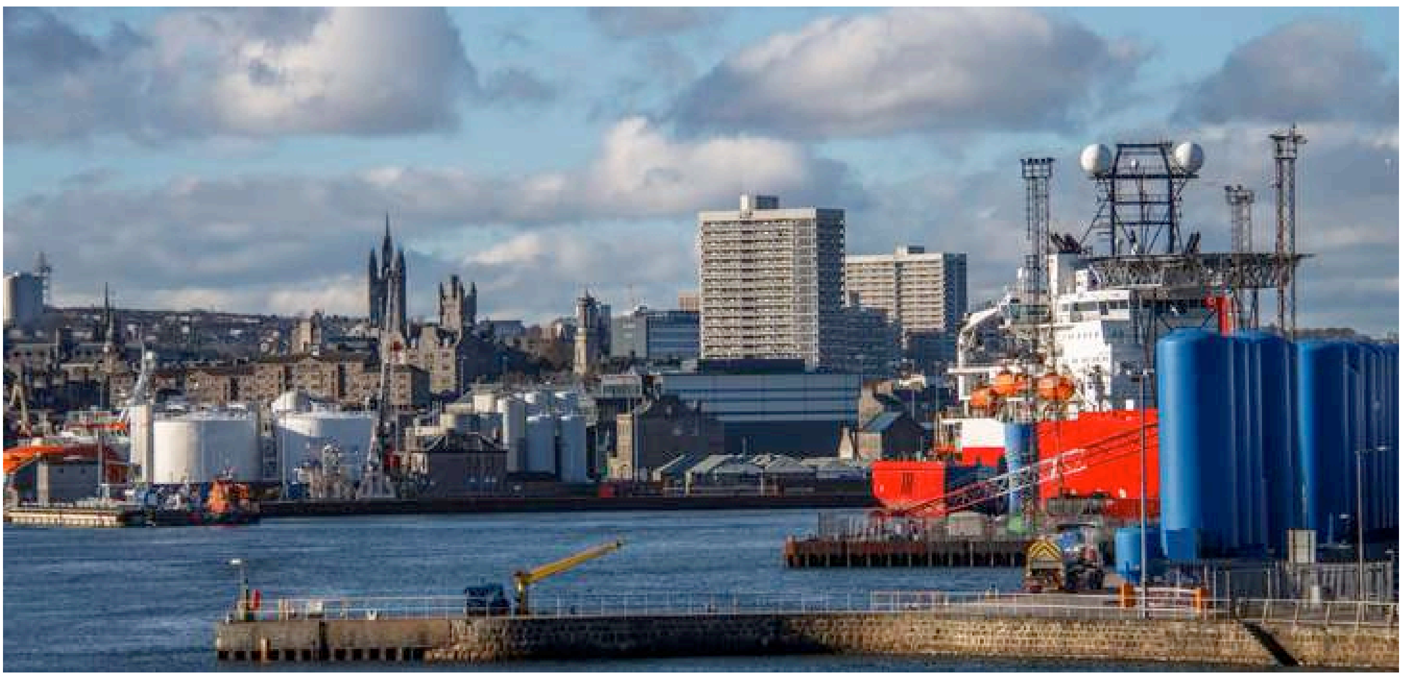
Constraints to growth

Likely linked to the Iran conflict, inflation has become the number one concern factor for companies here with 68% citing this as a constraint (compared to just 37% in the prior survey).

Q: "Please indicate which of these following factors are more of a concern to your business than 3 months ago?"



	Inflation	Taxation	Business rates	Competition	Interest rates	Exchange rates
Aberdeen & Grampian	68%	55%	41%	22%	19%	15%
UK	66%	51%	35%	32%	29%	13%

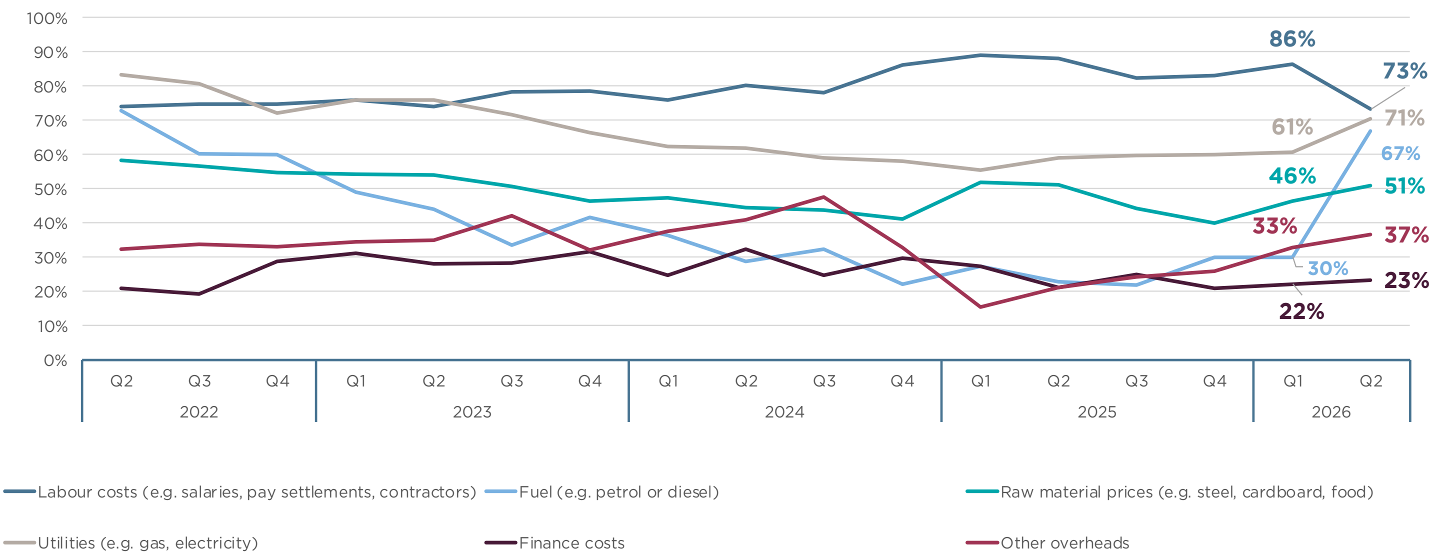


Cost pressures

Following the theme, fuel costs are creating inflationary pressure for firms with 67% saying this is an issue (compared to just 30% in Q1). Interestingly this is 15 percentage points higher in the North-east than nationally. Ironic that the region known as the energy capital is hardest hit by energy price rises!

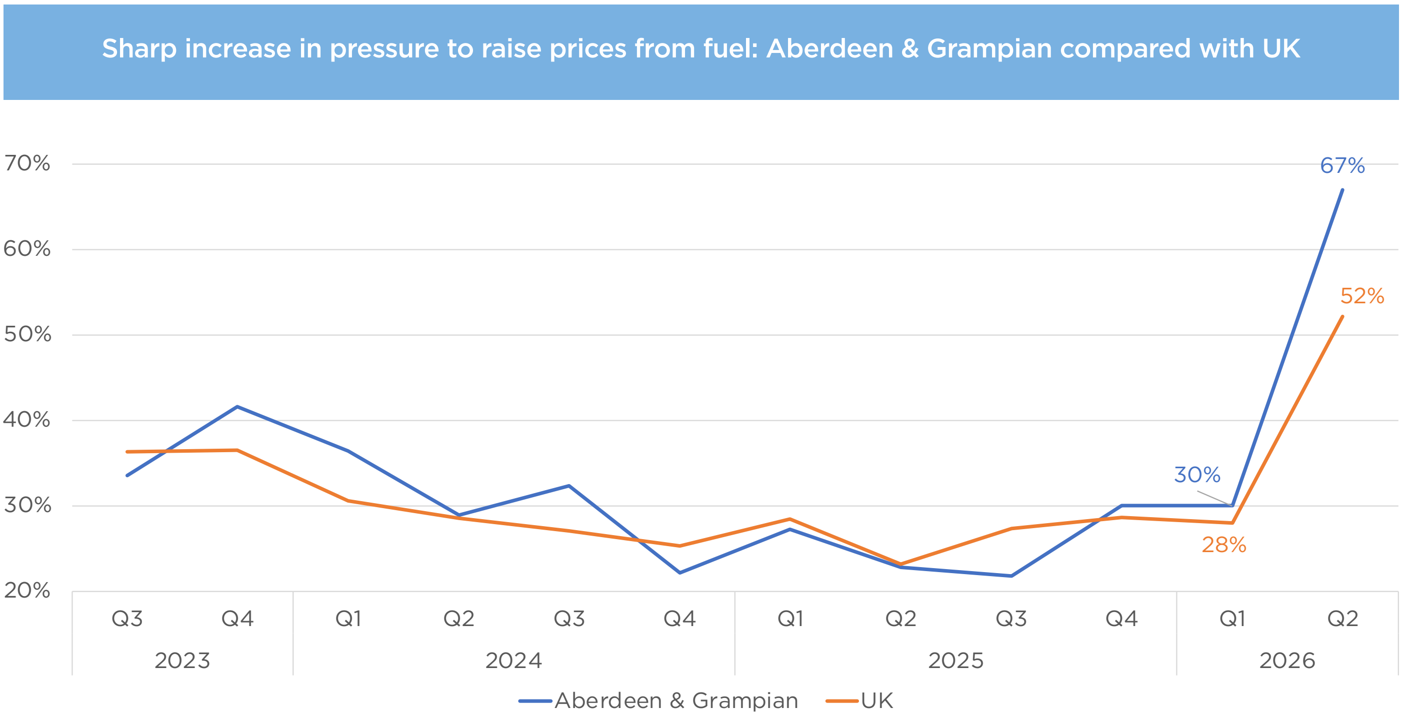
Likely linked to this, 71% of regional respondents cite utilities costs as a factor-up 10 percentage points on Q1 and 15 percentage points higher than the UK figure. Labour costs remain the number 1 pressure, but the North-east figure reduced from 86% in Q1 to 73% in Q2, more in line with the national position (70%).

Q: Is your business currently suffering pressures to raise its prices from any of the following?



	Aberdeen & Grampian	UK	% point difference, region v UK
Labour costs	73%	70%	+3
Utilities	71%	56%	+15
Fuel	67%	52%	+15
Raw materials	51%	42%	+9
Other	37%	34%	+3
Finance	23%	24%	-1

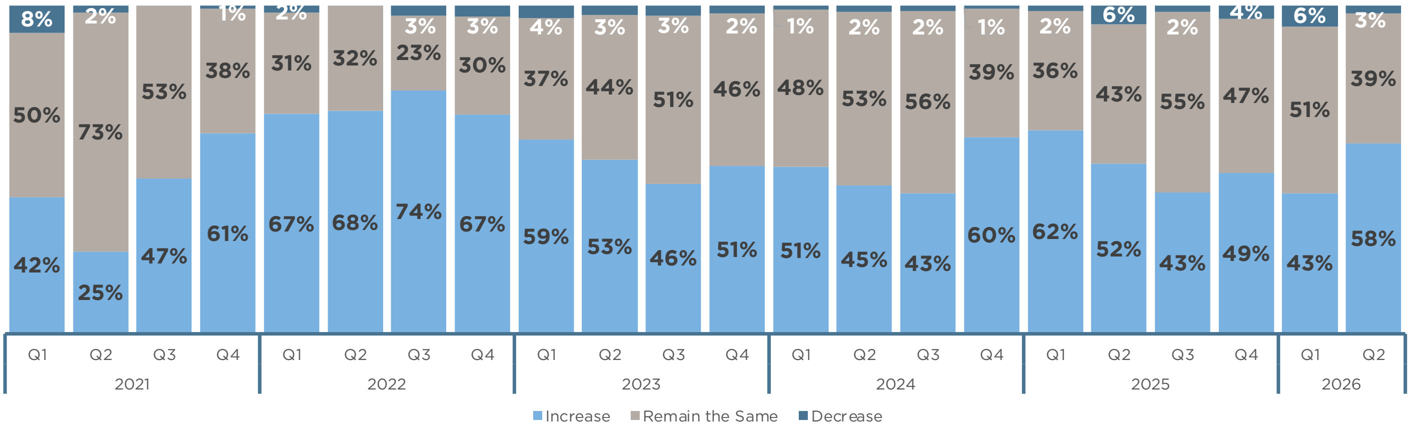
Cost pressures - Fuel



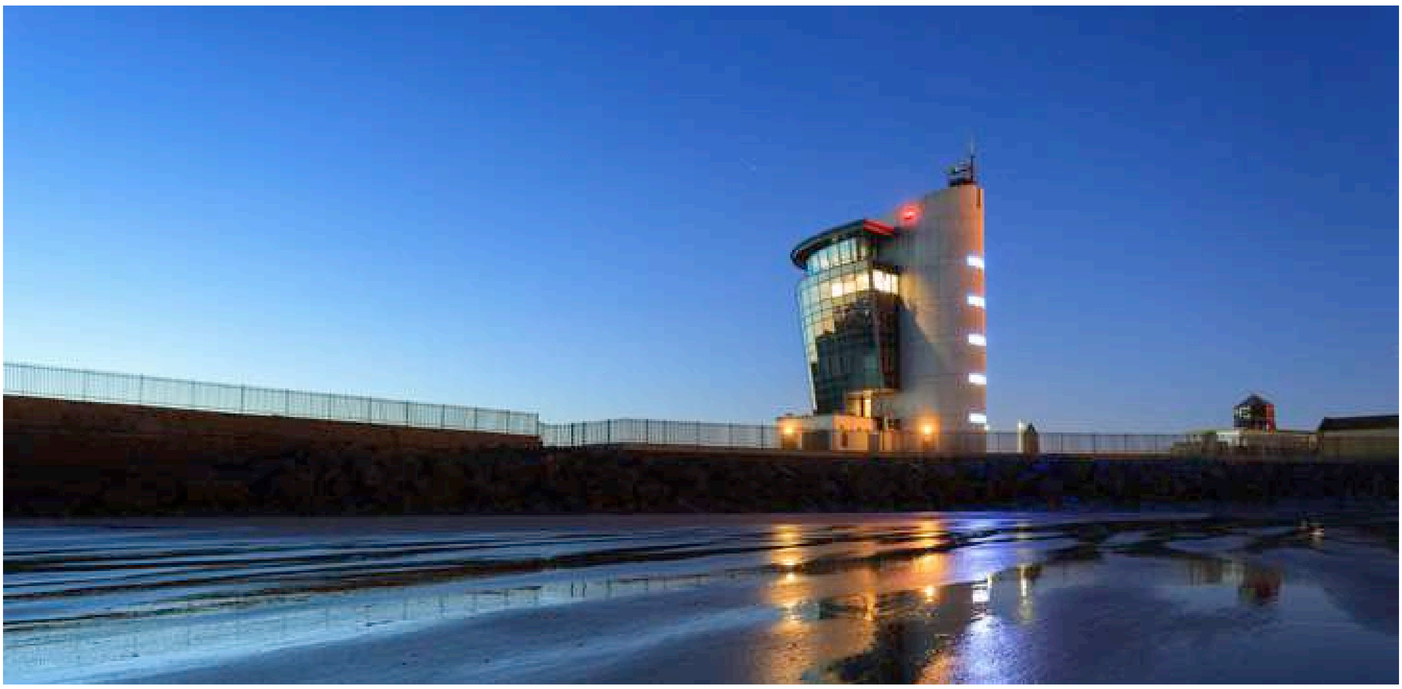
Pricing

58% of companies in the North-east say that, as a result of the various pressures (utilities, fuel, raw material costs), they expect to put up the prices of their goods and services. This has gone up from 43% in Q1 and is ten percentage points more than the national data set.

Q: "Over the next 3 months, do you expect the price of your goods/services to..."

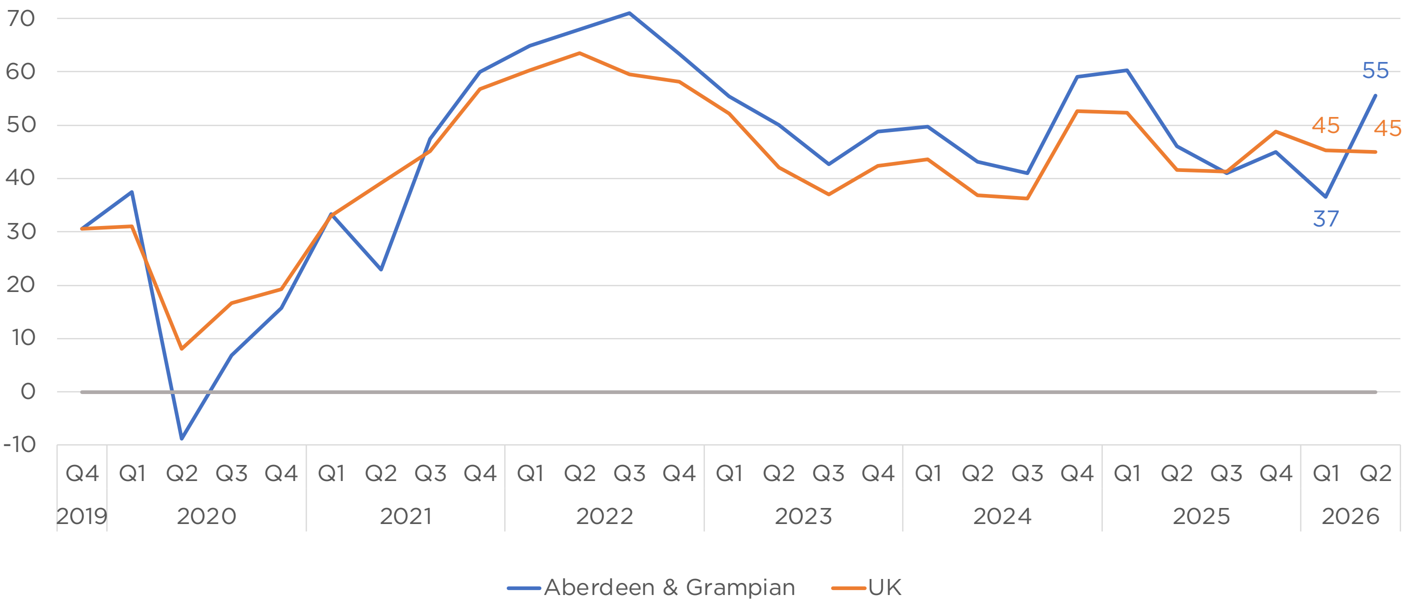


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	58%	48%	+10
Remain the Same	39%	49%	-10
Decreased	3%	3%	-



Pricing

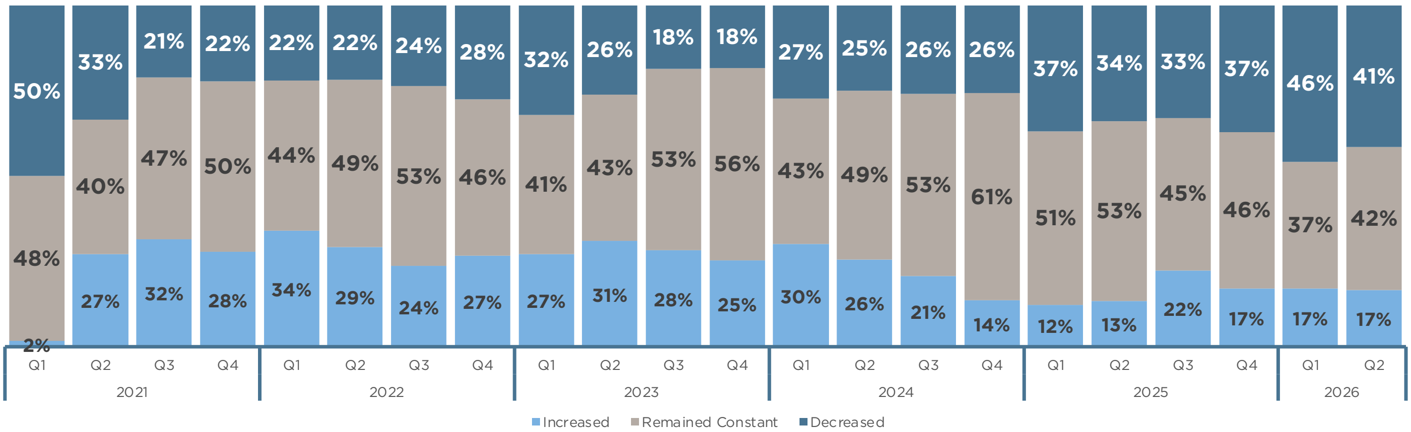
Net balance of those expecting to raise the price of goods/services over the next 3 months:
Aberdeen & Grampian compared with UK



Cash flow

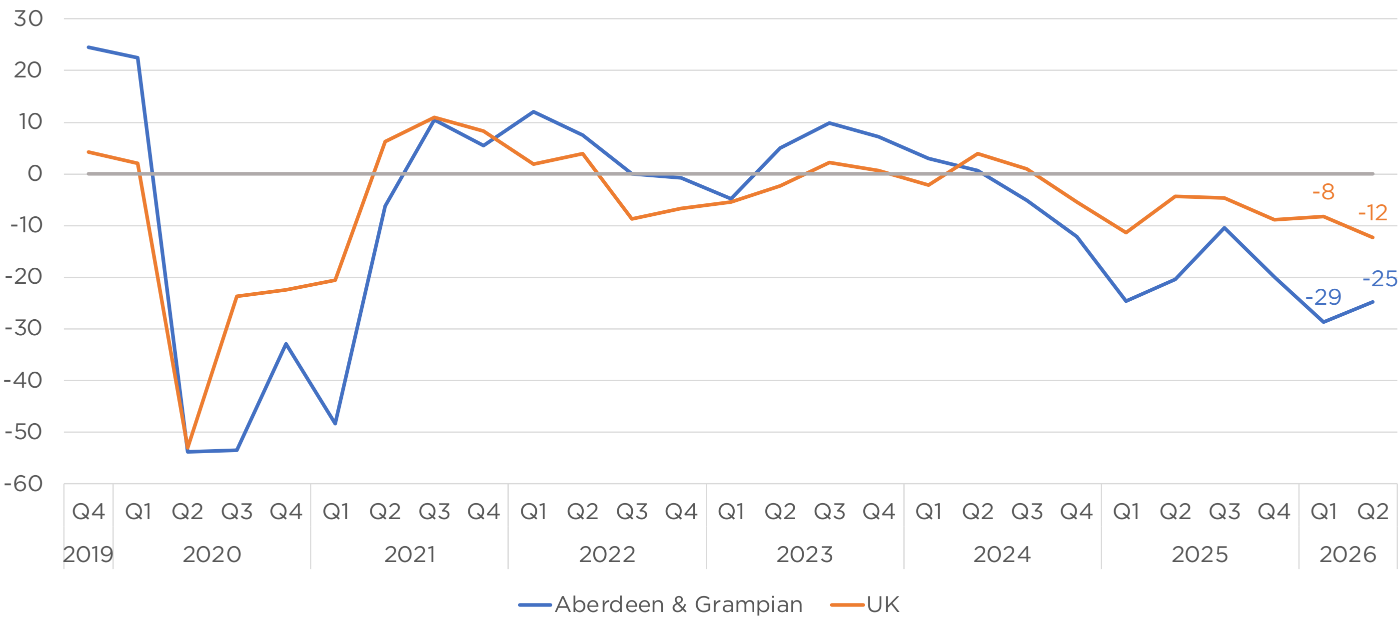
Q2 saw a slight closing of the gap between North-east and national data in terms of cashflow but 41% of firms here still expect this to worsen compared to just 33% across the UK.

Q: "Over the past 3 months, cash flow has ... "



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	17%	20%	-3
Remained Constant	42%	47%	-5
Decreased	41%	33%	+8

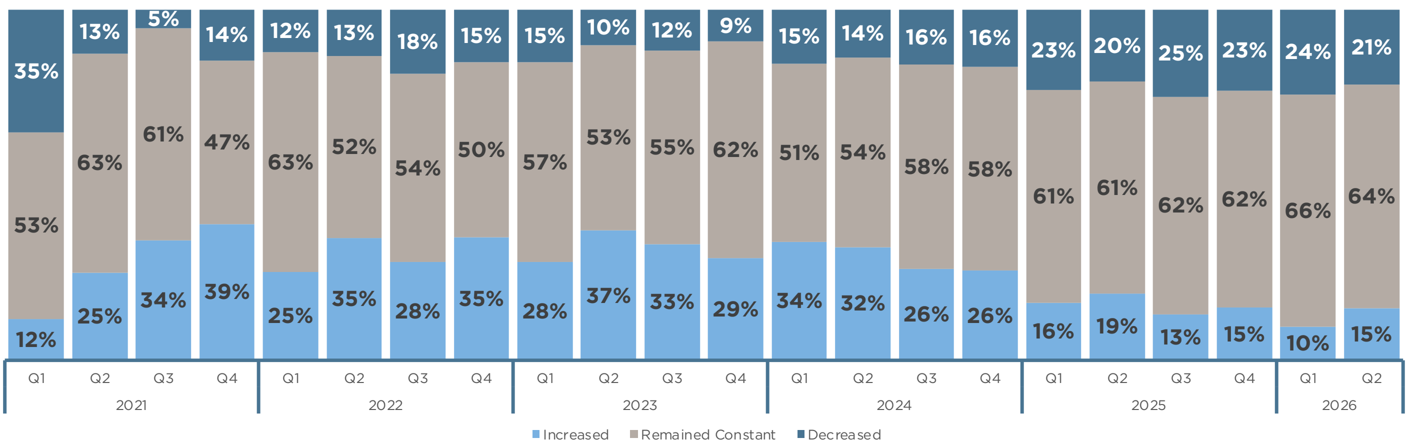
Net balance of cash flow over the past 3 months: Aberdeen & Grampian compared with UK



Workforce trends

Q2 saw a small increase in the number of regional firms saying their workforce size had increased (up from 10% in Q1) but this remains six percentage points worse than UK peers and a distance worse than the trends from 2022-2024.

Q: "Over the past 3 months, has your workforce ... "

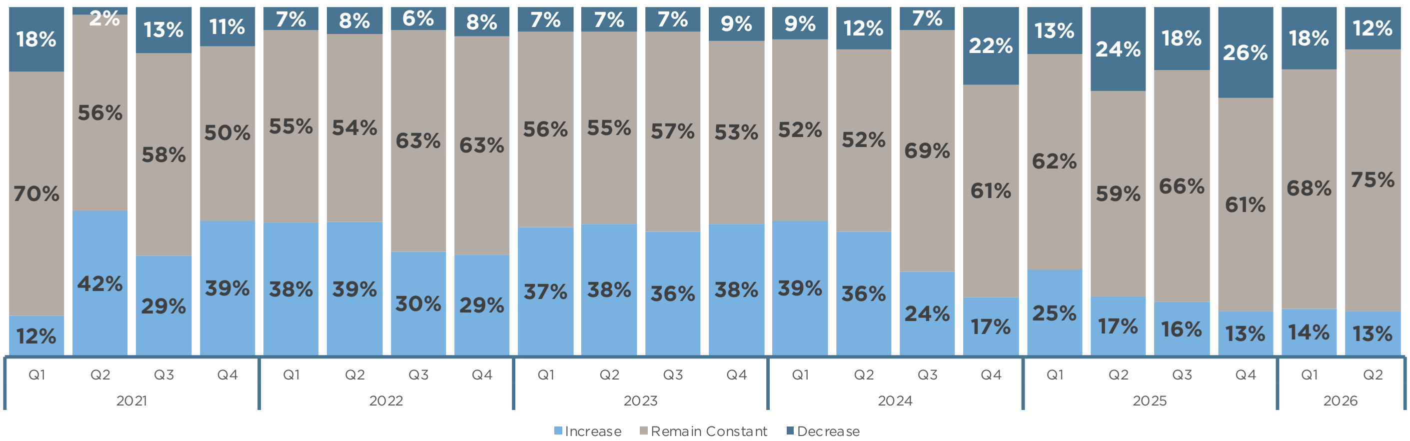


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	15%	21%	-6
Remained Constant	64%	61%	+3
Decreased	21%	18%	+3

Workforce outlook

Looking ahead this pattern remains with the number of regional firms expecting workforce growth flatlining; just 13% in Q2, 10 percentage points worse than the UK figure.

Q: "Over the next 3 months, do you expect your workforce to:"

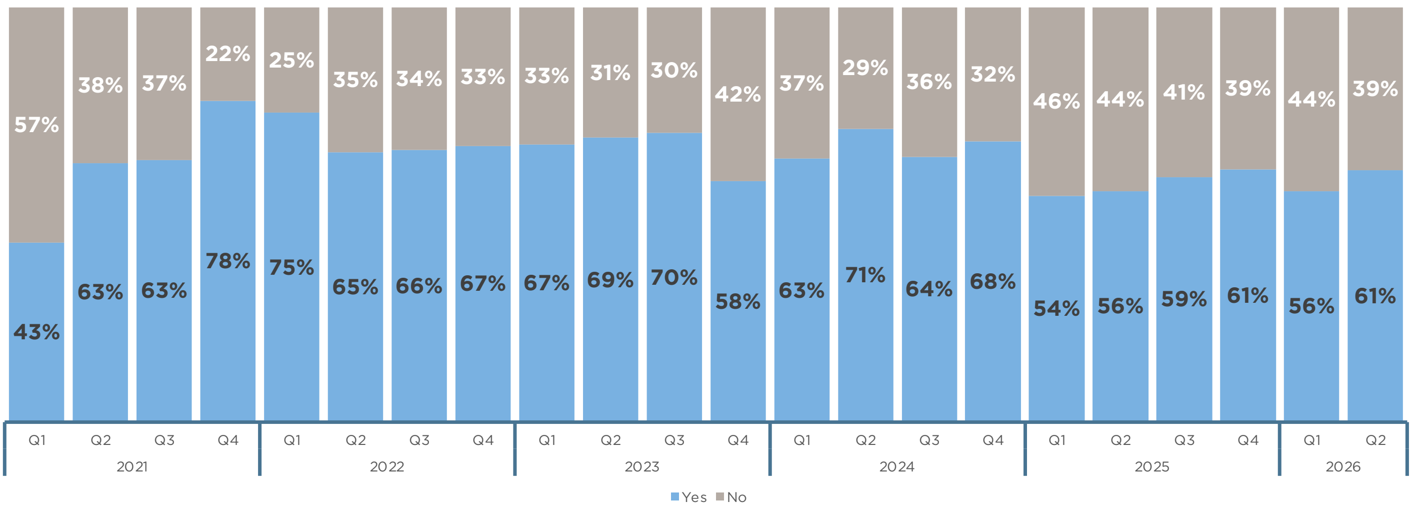


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	13%	23%	-10
Remained Constant	75%	66%	+9
Decreased	12%	11%	+1

Recruitment activity

Interestingly, given the small numbers of respondents looking to net grow their headcount, 61% of companies in the North-east reported actively recruiting staff in the period (compared to just 53% nationally). This suggests that companies in this region are experiencing greater workforce churn and/or finding it harder than peers across the nation to fill the positions they do have. Effectively having to work harder to stand still.

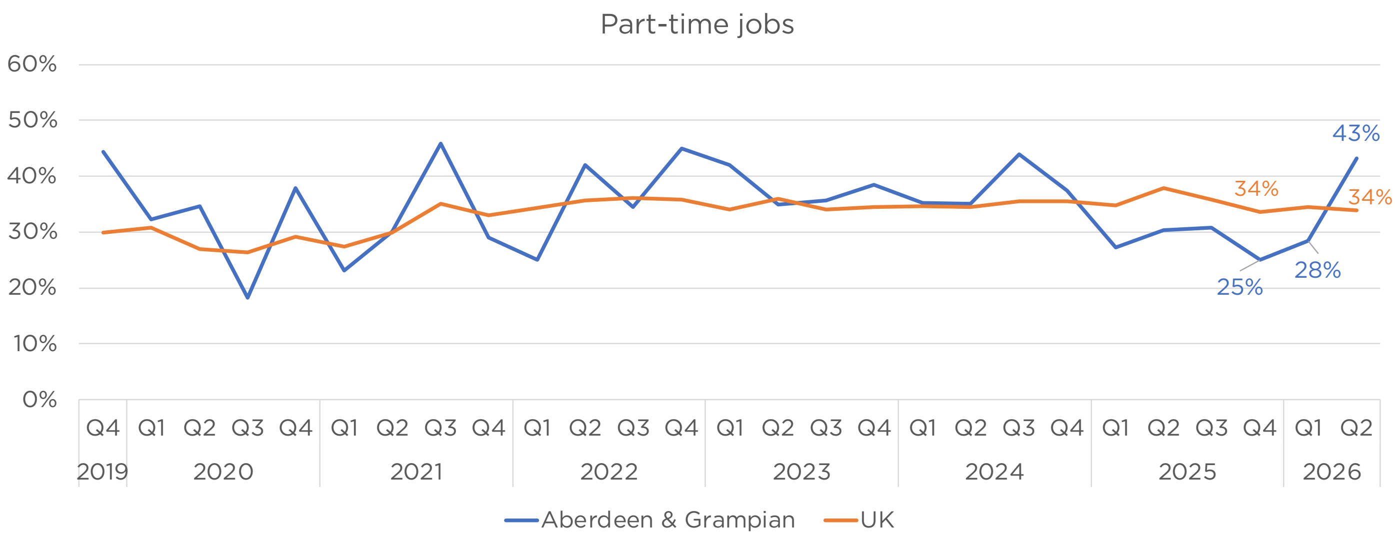
Q: "Have you attempted to recruit staff over the past 3 months? "



53% - UK Yes
47% - UK No

Q: "Have you attempted to recruit staff over the past 3 months? If yes, were they for:"

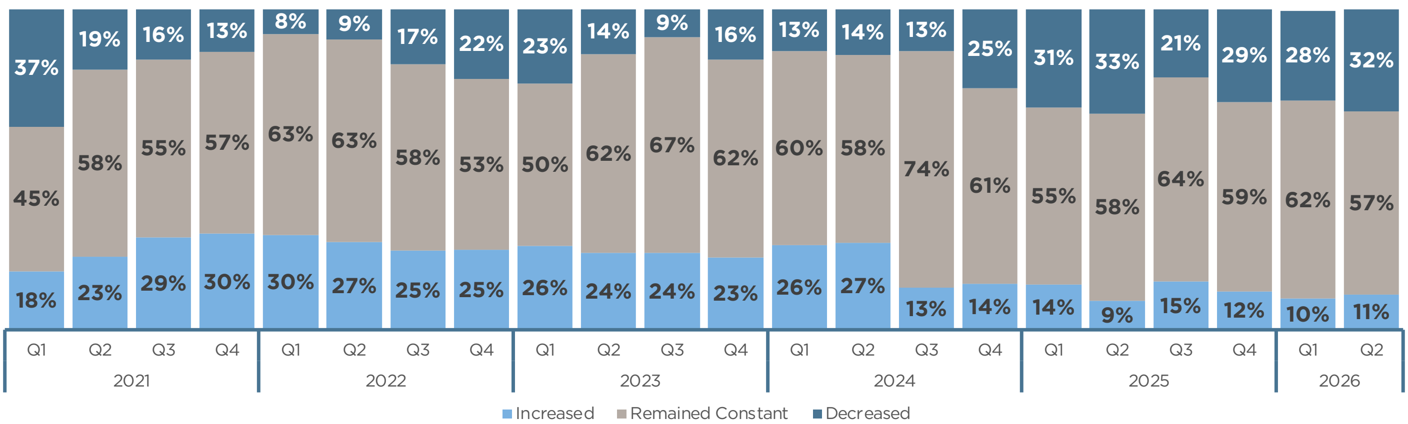
Over the last two quarters we have seen a sharp rise in the number of North-east firms recruiting for part-time roles, now standing at 43% (significantly higher than the UK figure of 34%) likely reflecting the additional pressures being felt by businesses here.



Staff Training

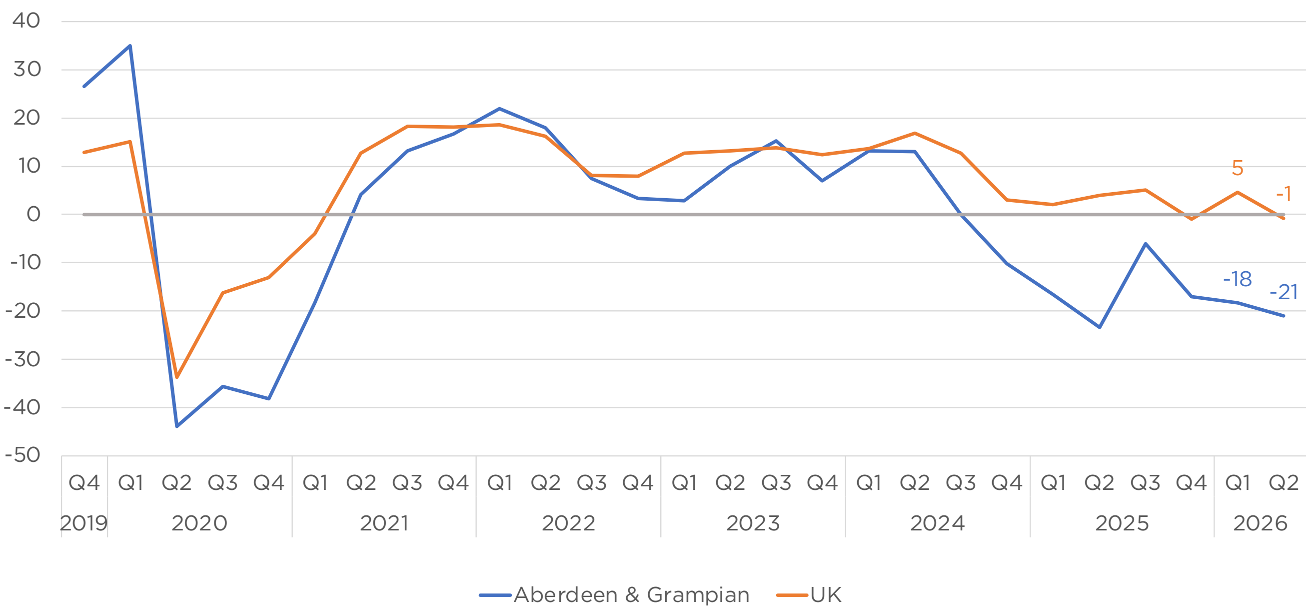
The North-east is still lagging behind the UK in the percentage of firms investing in staff training. Just 11% plan to increase spend on this (9 percentage points behind the national figure). And 32% report reduced investment, compared to just 26% nationwide.

Q: "Over the past 3 months, investment plans for training have..."



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	11%	20%	-9
Remained Constant	57%	60%	-3
Decreased	32%	20%	+12

Net balance of investment plans for training over the past 3 months:
Aberdeen & Grampian compared with UK

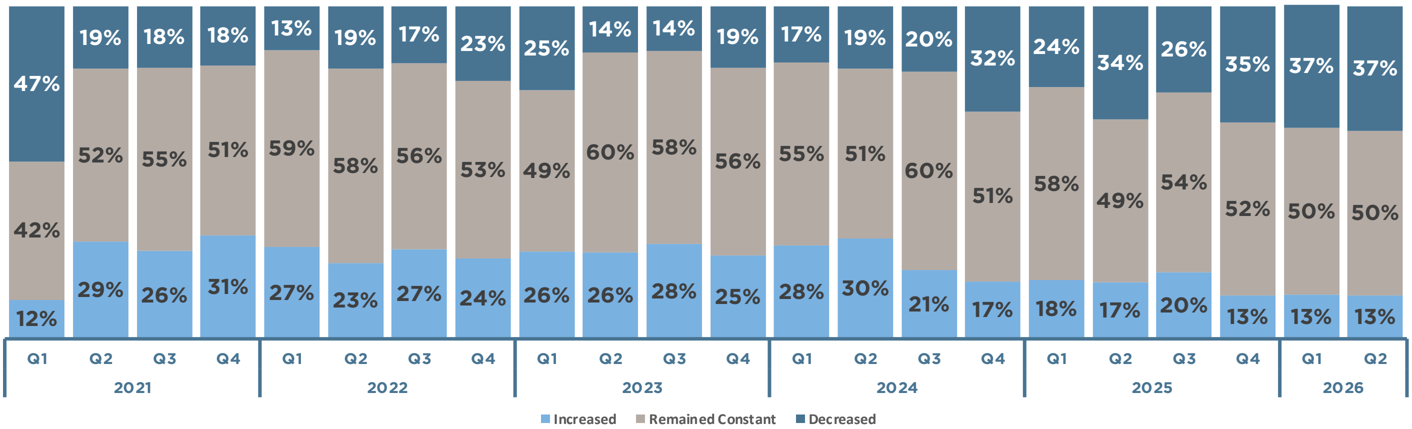


N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Capital Investment

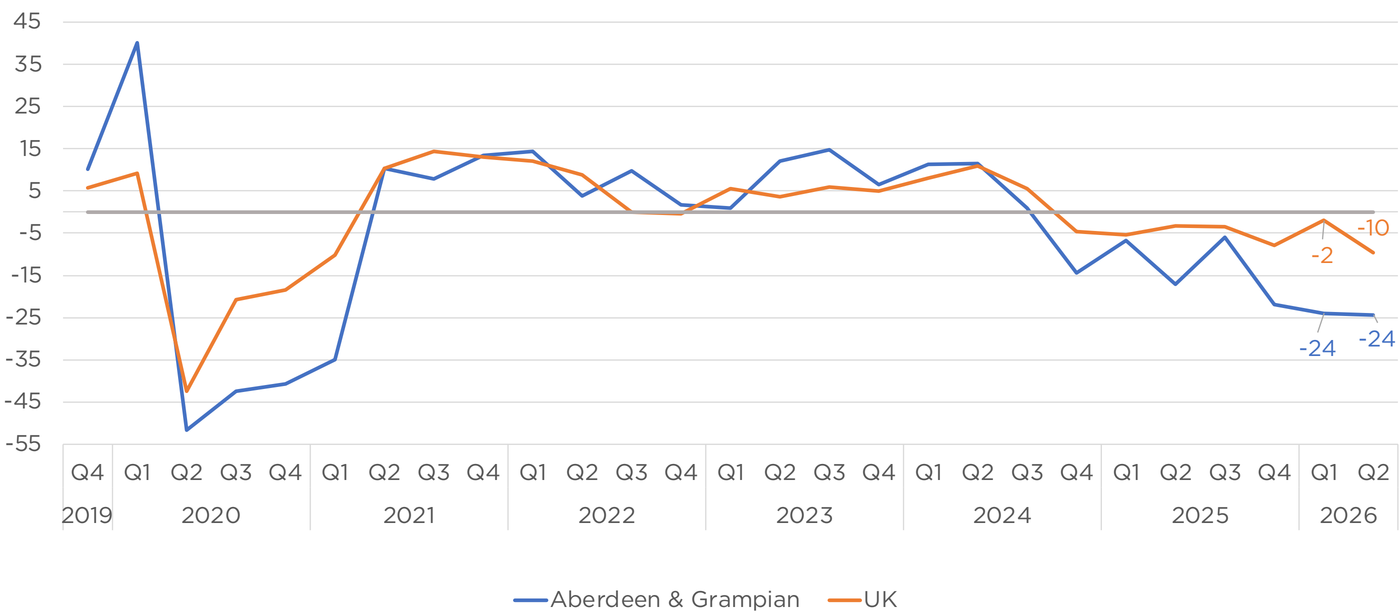
The regional Q2 data on capital investment exactly mirrors the data from Q1 with 37% of companies committing less spend and just 13% increasing it. This compares poorly to the national picture where just 26% of respondents say they are reducing CAPEX. Across the UK we see a sharp downturn in investment confidence since the General Election in 2024.

Q: "Over the past 3 months, investment plans for plant/machinery/equipment have.."



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	13%	17%	-4
Remained Constant	50%	57%	-7
Decreased	37%	26%	+11

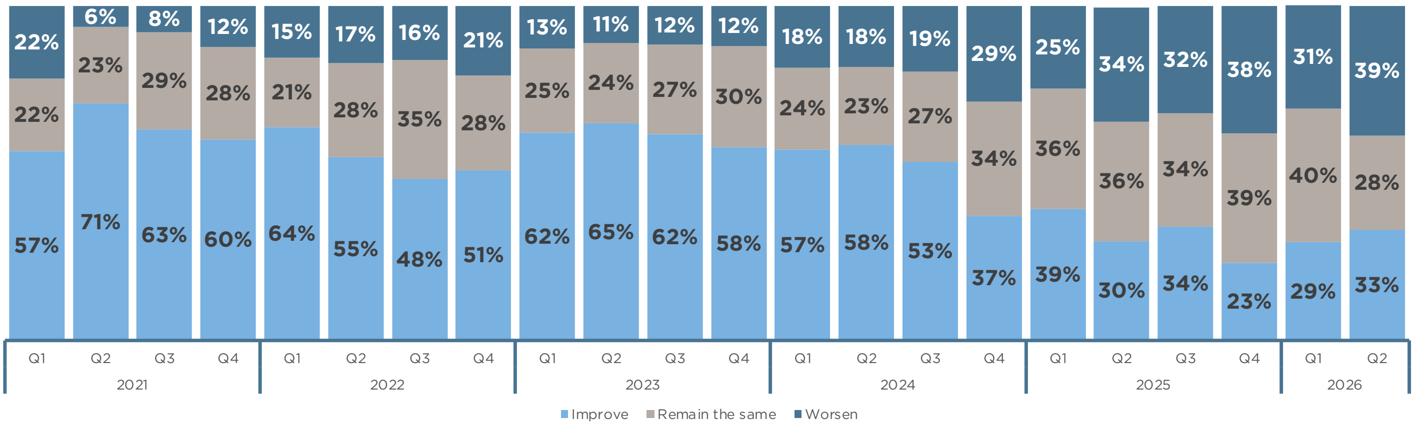
Net balance of investment plans for plant/machinery/equipment over the past 3 months: Aberdeen & Grampian compared with UK



Turnover

We see a polarised regional picture when it comes to turnover growth expectation over the next year. 33% of companies expect growth (up from 29% in Q1) but 39% say it will worsen (up from 31% in Q1). This remains a big point of difference against the national data and reflects the unique and intense challenges facing our region's business community. For comparison, 35% of UK respondents expect their turnover to grow this year and only 23% expect it to contract.

Q: "Over the next 12 months, do you believe your business's turnover will..."

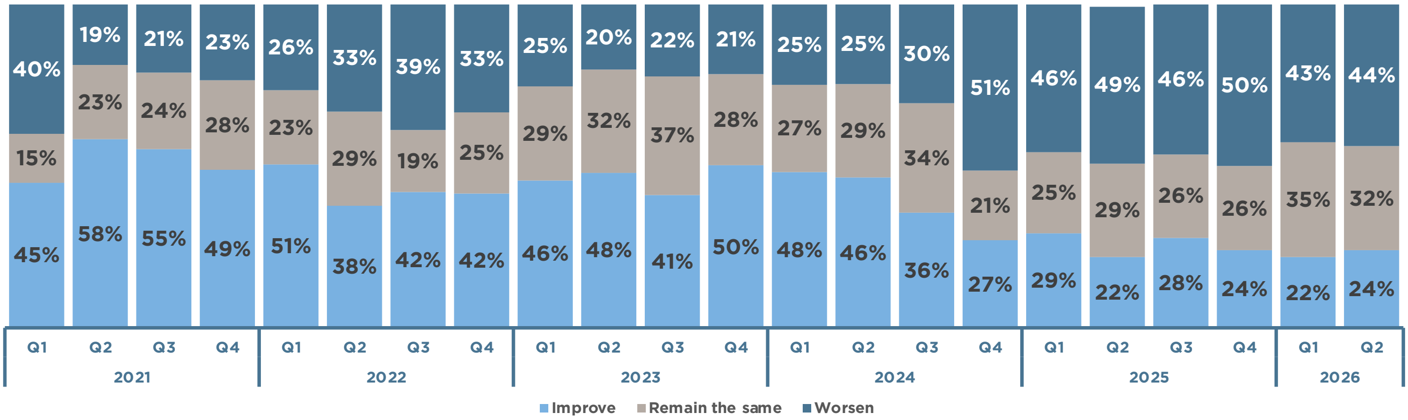


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	33%	44%	-11
Remained Constant	28%	33%	-5
Decreased	39%	23%	+16

Profitability

We see a similar story translating through to profit expectation. The North-east picture remains flat with 24% of firms expecting profits to grow and 44% saying it will decrease.

Q: "Over the next 12 months, do you believe your business's profitability will..."

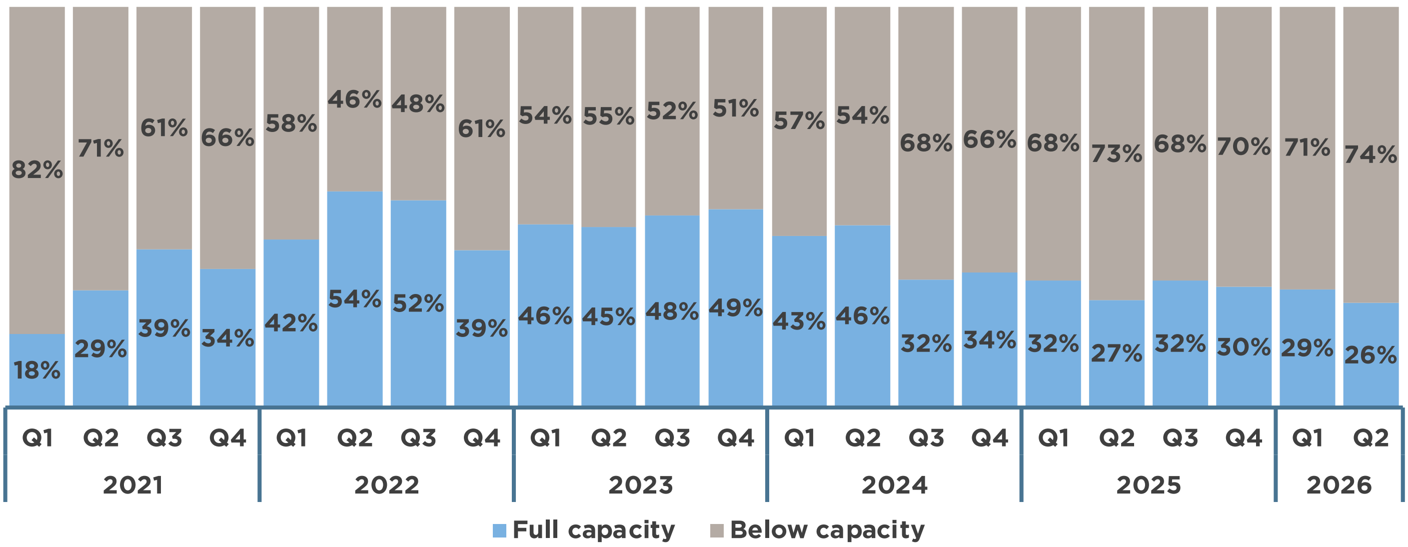


	Aberdeen & Grampian	UK	% point difference, region v UK
Improve	24%	35%	-11
Remain the same	32%	32%	-
Worsen	44%	33%	+11

Capacity

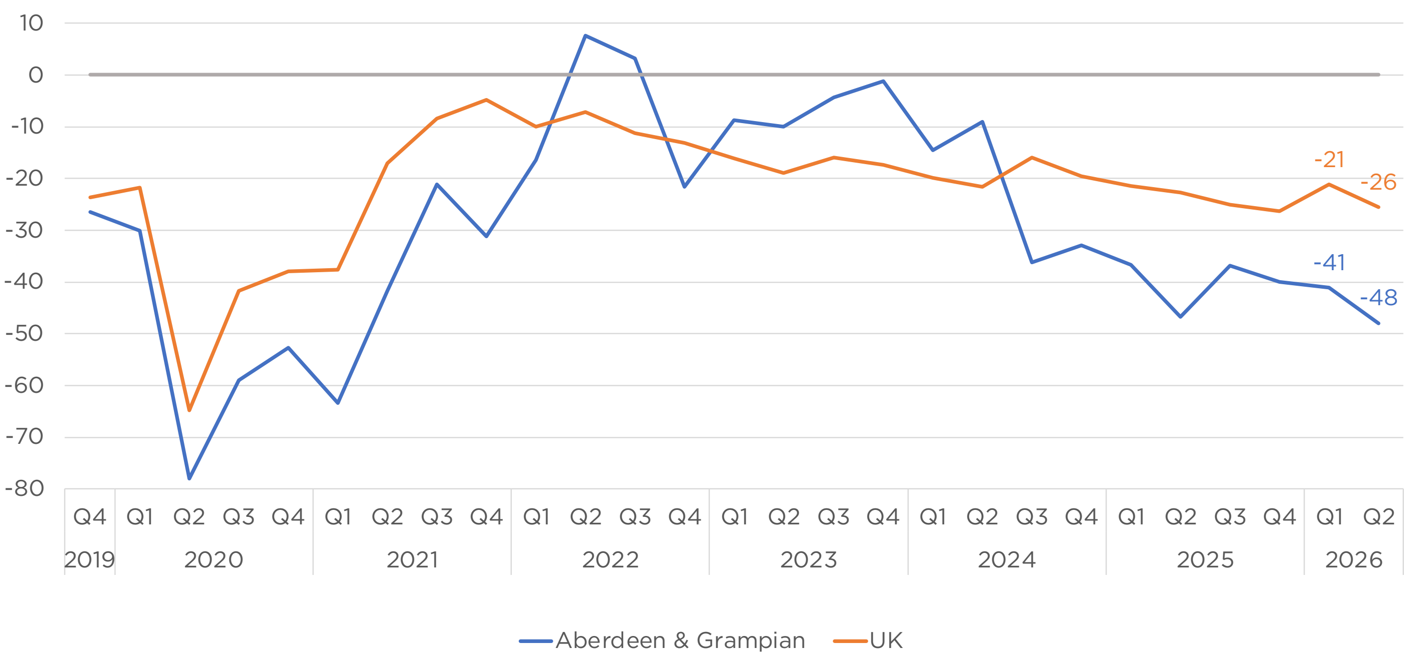
74% of North-east firms are working below capacity compared with 63% across the UK. Likely explaining why more firms here have been reducing headcount than nationally.

Q: " Are you currently operating at..."



UK Q2	
Full capacity	37%
Below capacity	63%

Net balance of current operating capacity: Aberdeen & Grampian compared with UK



Additional Feedback

Businesses' biggest challenges continue to centre on cost pressures, government taxation and policy, uncertainty surrounding the North Sea energy sector, and a lack of demand and investment opportunities. These themes help explain the weaker confidence, investment intentions and profitability expectations reported elsewhere in the survey.

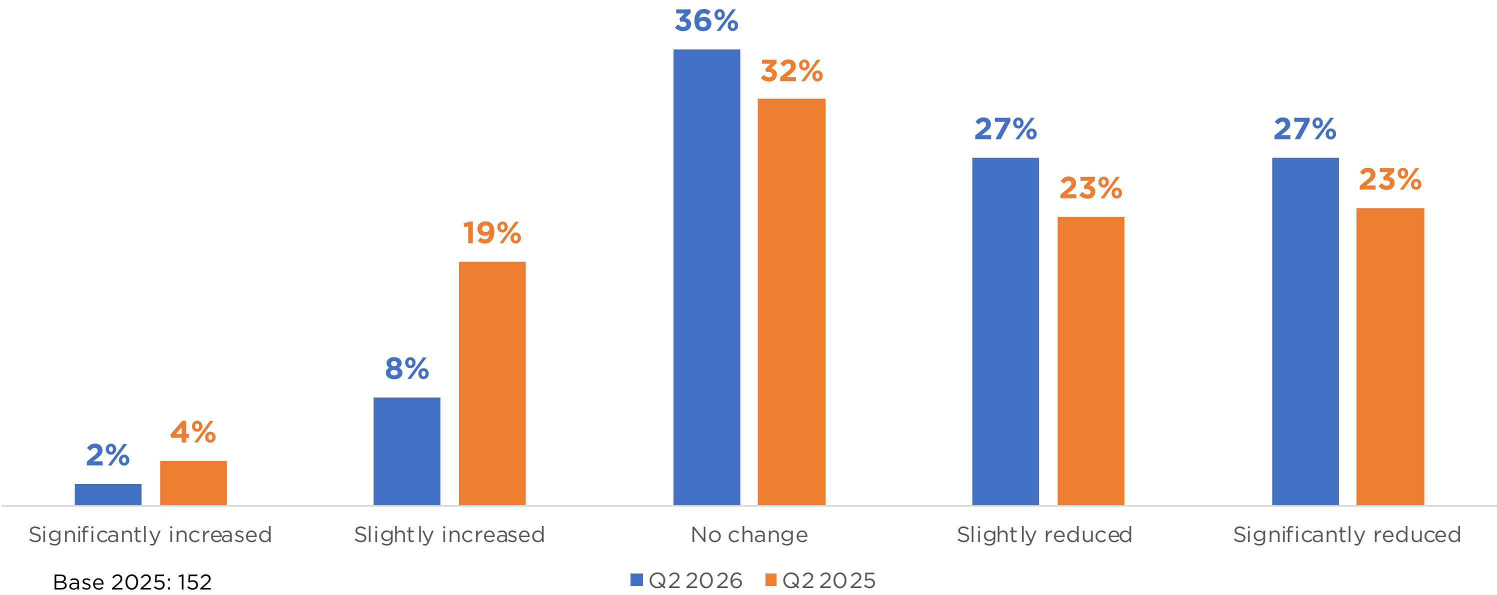
Theme	What businesses are saying	Example verbatim
1. Rising costs and taxation	Businesses continue to feel squeezed by higher labour costs, fuel, business rates and taxation, with many saying these costs are forcing price increases and limiting growth.	"Business Tax and Rates are both higher than ever, draining cash-flow, and limiting capacity for growth." "We are having to seriously consider pushing through cost incr eases when our customer base can least afford it."
2. North Sea energy policy and EPL concerns	The Energy Profits Levy and wider government approach to oil and gas remain one of the strongest themes, with businesses warning of cancelled projects, reduced investment and supply chain impacts.	"The EPL is having a devastating effect on the whole supply chain in this region." "Continuous strangling of the North Sea oil and gas sector through taxation and lack of licence granting is becoming unsustainable."
3. Weak demand and lack of opportunities	Several firms report subdued trading conditions, particularly in construction and the wider local economy, with limited new projects and uncertainty over future workloads.	"Biggest concern is the lack of opportunities in the construction sector locally." "Just ticking over at the moment and don't see that changing perhaps until the Aberdeen housing market recovers."
4. Regulation and government administration	Respondents expressed frustration with bureaucracy, lengthy HMRC processes and what they see as excessive regulation.	"We are subject to a HMRC enquiry which has lasted for a year and a half... How can a business operate in that sort of a situation?" "Too much red tape."

Based on 22 open-ended responses from 122 survey participants; insights are indicative rather than representative.

Regional Questions

The cocktail of challenges facing businesses in the region means that they are becoming increasingly risk averse.

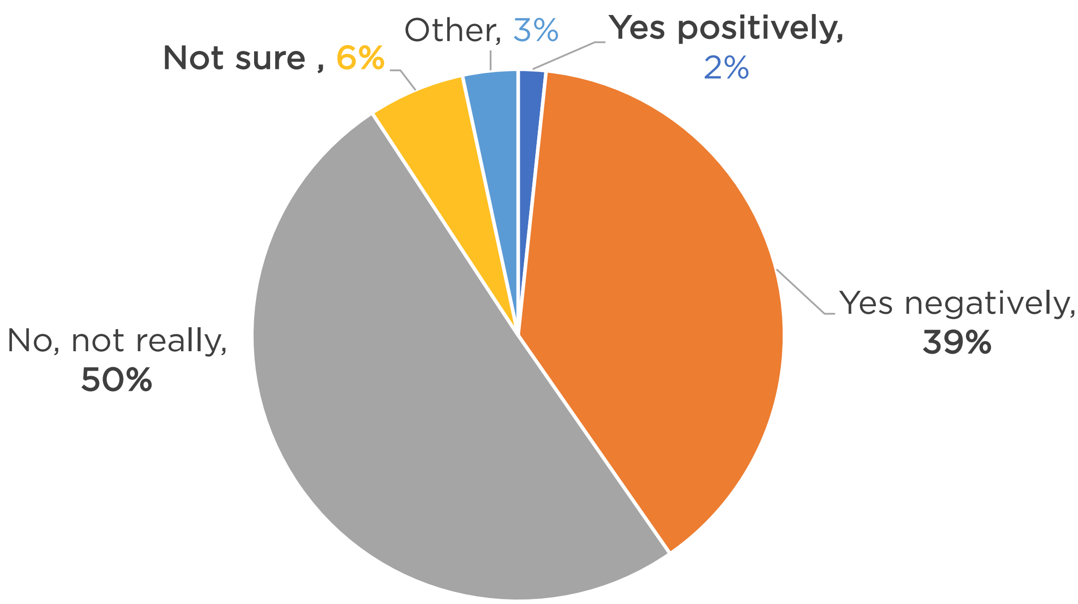
Q: "Compared to a year ago, how has your willingness to take business risks changed?"



Base 2025: 152
Base 2026: 118

39% of respondents in the region said that the Scottish election result negatively impacted business sentiment, with only 2% saying this was seen as positive. So, the Government has a job to do convincing business that it really does have economic growth at the heart of its agenda.

Q: "Has the result of the recent election had an impact on your response?"

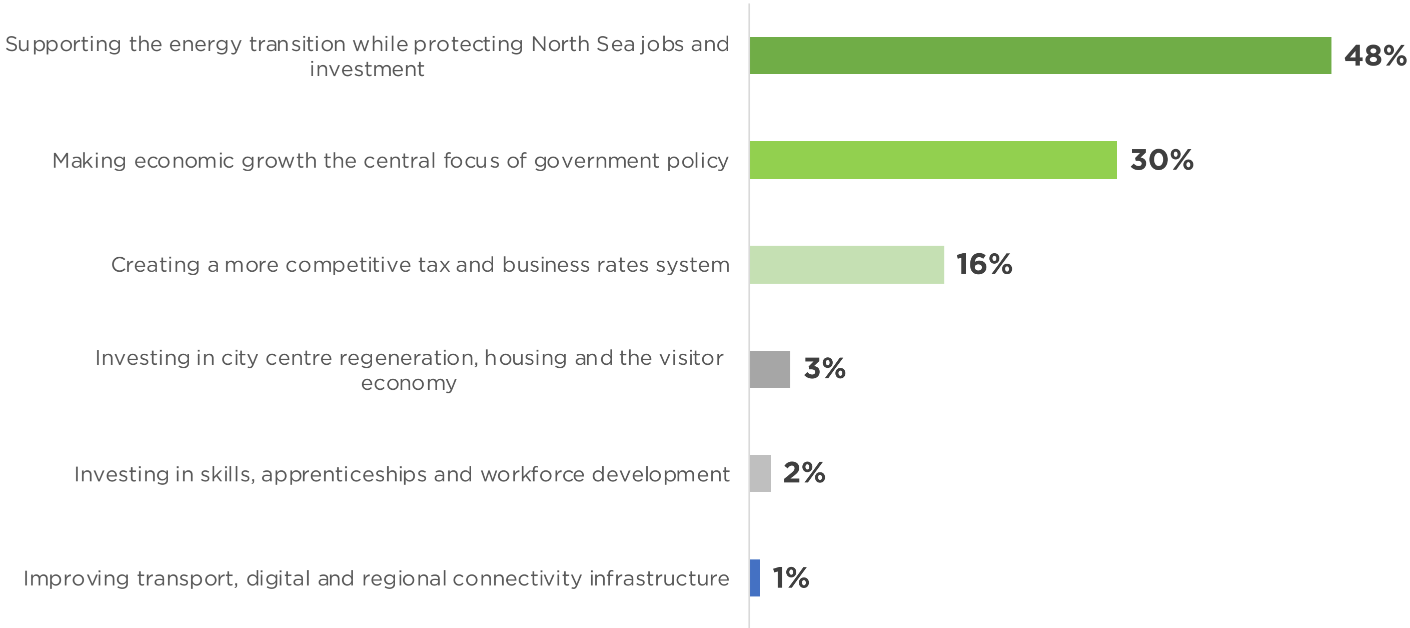


Base: 119

Regional Questions

North-east businesses are clear that their three top priorities for the regional economy are supporting the energy transition while protecting North Sea jobs and investment, putting economic growth at the heart of policy and creating a more competitive tax and business rates system.

Q: "Q: AGCC's key manifesto asks of the new government are shown below. Which is your top priority area?"



Base: 119

Regional Questions

Q: "Please explain your answer above with the specific ask your business has of government within that priority area.?"

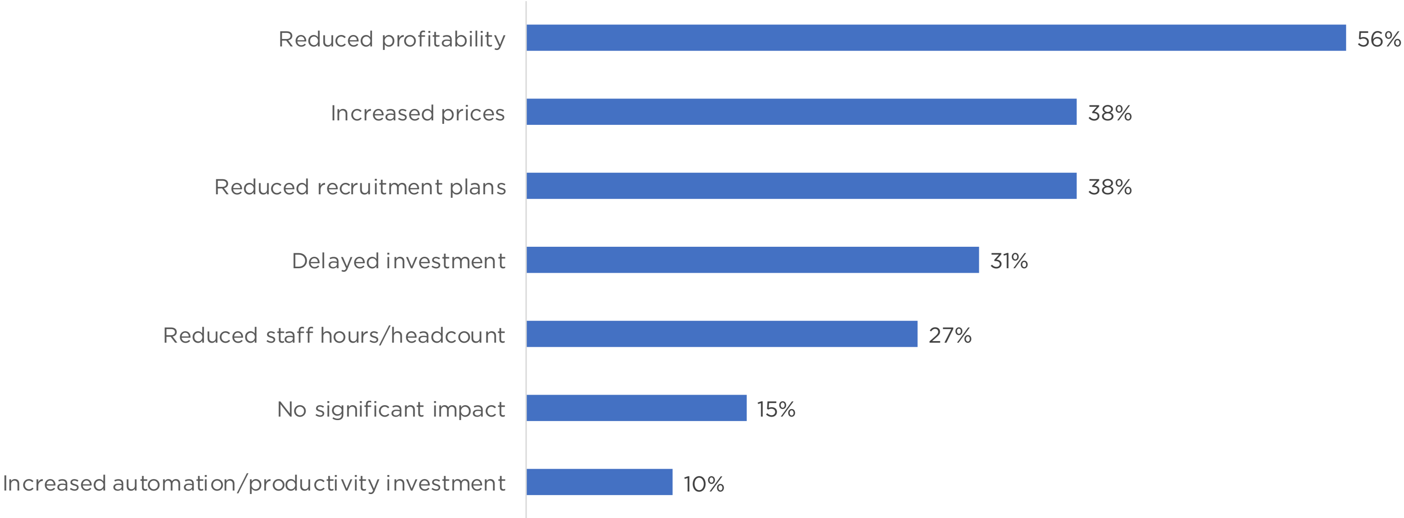
Manifesto Priority	Main Themes Raised by Businesses	Comments
Making economic growth the central focus of government policy	• Reduce regulation and red tape • Create a stable fiscal and regulatory environment • Support investment and business confidence • Invest in regional economic development and infrastructure • Support SMEs and entrepreneurship • Strengthen the energy sector as a driver of growth	"Reduce regulation and red tape." "Open up the North Sea." "Establish long term programmes to support new and growing businesses."
Creating a more competitive tax and business rates system	• Reduce business rates • Lower employer costs (National Insurance, NMW pressures) • Reduce VAT, particularly for hospitality • Improve business competitiveness • Encourage investment through tax reform • Protect North Sea investment from punitive taxation	"Both taxes and business rates are killing businesses daily." "A reduction in VAT for hospitality would greatly help." "Reducing taxation would put more money in people's pockets."
Investing in skills, apprenticeships and workforce development	• Retain skilled workers in the North-east • Improve local career opportunities • Reduce reliance on recruitment from outside the region	"Keeping people in the North-east and giving them wider options."
Supporting the energy transition while protecting North Sea jobs and investment	• Continue North Sea oil and gas development • Protect jobs and local supply chains • Provide long-term policy certainty • Deliver a managed transition rather than a rapid phase-out • Improve energy security through domestic production • Support investment in both traditional and renewable energy sectors	"We must drive for a transition, not a cliff." "Open up NS to allow more economic growth." "Removal of the EPL and the ban on future drilling are the biggest issues."
Investing in city centre regeneration, housing and the visitor economy	• Revitalise Aberdeen city centre • Support arts, culture and tourism • Increase visitor footfall and spending • Improve the attractiveness of the city as a destination	"Thriving city centres happen where there is a thriving arts scene."
Improving transport, digital and regional connectivity infrastructure	• Improve transport links • Improve digital connectivity • Increase regional competitiveness • Reduce the gap with other UK cities	"We are lacking behind the major UK cities in these areas."

Base: 68 comments

Regional Questions

More than half of companies reported reduced profitability as a result of rising employment costs with over a third saying they had been forced to mitigate this by increasing prices or reducing recruitment plans. Reducing staff hours or headcount and delaying investment plans (as evidenced elsewhere in the report) were cited by over a quarter as actions they had been forced to take in response.

Q: "How have rising employment costs affected your business decisions over the past 12 months?"



Base: 119

Sponsor Viewpoint

The Q2 2026 Quarterly Economic Survey paints a picture of a regional economy stuck in first gear.

There are tentative signs that domestic trading conditions are beginning to stabilise after a difficult period, but businesses across Aberdeen and Grampian continue to face significant cost pressures, weakening cash flow, subdued employment growth and increasing uncertainty over international trade. As a result they remain firmly in survival mode rather than growth mode. This was a picture that we started seeing two quarters ago as we reported on a changing dynamic in how businesses were responding to the environment around them. And now it seems that view is becoming more entrenched.

The survey, conducted between 11 May and 5 June 2026, gathered responses from 4,744 businesses across the UK, including 122 companies from Aberdeen and Grampian employing more than 15,000 people. The regional sample is considered representative, with 70% of respondents being SMEs and 61% operating outside the energy sector.

The biggest change by far this quarter was the rise of inflation as the primary obstacle to potential growth. Sixty-eight per cent of respondents identified inflation as a greater concern than three months earlier, almost doubling from the previous survey. Much of this renewed pressure may be blamed on geopolitical developments, particularly the Iran conflict which has contributed to rising energy costs. Rising fuel, utility and other operating costs have once again become the biggest headache for businesses. As companies across the North-east are feeling these pressures more acutely than most of the UK, the inevitable consequence is that many are preparing to pass those costs on to customers.

On the positive side, there may be reason for positivity. Domestic sales have improved slightly and fewer firms are reporting falling demand. Specifically, nineteen per cent of regional businesses reported increased UK sales, while the proportion reporting declining sales fell to 37%. Although this remains weaker than the UK average, it represents an improvement on the previous quarter and narrows the performance gap with national figures.

> **“The main takeaway - Businesses seem to be digging in, not pushing forward.**

Businesses also expressed slightly greater optimism about future domestic demand, with survey commentary suggesting there are tentative “green shoots” emerging, although much of the improvement also reflects weakening national performance rather than a strong regional recovery. Meanwhile, international markets are becoming more uncertain, with geopolitical tensions and trade disruption weighing heavily on exporters. Generally, any signs of recovery remain distinctly fragile.

The main takeaway - Businesses seem to be digging in, not pushing forward. While recruitment activity remains high, it appears businesses are working harder simply to replace staff rather than create new jobs. Until confidence returns and cost pressures ease, the North-east economy is likely to remain in a holding pattern rather than entering a period of sustained growth.

Overall, the Q2 2026 survey portrays an economy that is showing limited signs of stabilisation but remains constrained by high inflation, escalating energy-related costs, fragile international demand and weak business confidence. Domestic trading has improved modestly and some firms are cautiously optimistic about future activity. However, persistent cost pressures, declining cash flow, subdued hiring intentions and reduced investment in training suggest that businesses remain focused on resilience rather than growth. Unless inflationary pressures ease and global uncertainty diminishes, the region is likely to continue experiencing a challenging operating environment despite the early signs of recovery.

Findlay Anderson,
Partner, Head of Corporate
Gilson Gray LLP

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Energy Transition

43rd Survey | Spring 2026

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D2Zero

JOHNSTON CARMICHAEL

Research Chamber

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Sponsor forewords

The global events which have unfolded since the last edition of this survey have reinforced a reality that should never be taken for granted - that energy security matters.

From continuing instability in the Middle East to growing geopolitical competition over energy supply, the past year has once again demonstrated the importance of secure, reliable and resilient domestic energy systems.

Against that backdrop, the findings of Energy Transition 43 offer an important reminder that businesses across the North-east of Scotland continue to see enormous long-term opportunity in the future of the North Sea and the wider energy transition.

Indeed, 93% of respondents either agreed or strongly agreed that there remains a future for oil and gas activity in the basin if the UK creates the right fiscal and regulatory conditions to support it.

That is a significant finding because it demonstrates that industry has not lost confidence in the capability of the region, its workforce or its ability to help deliver the UK's long-term energy ambitions. What businesses are increasingly seeking is the stability, policy clarity and infrastructure needed to unlock that opportunity fully.

Across the survey, companies continue to demonstrate resilience, adaptability and a willingness to invest in the future. Businesses are diversifying into offshore wind, carbon capture, electrification and wider decarbonisation activity; they are investing in technology, developing new capabilities and supporting the workforce needed to deliver the next generation of energy infrastructure.

At the same time, respondents consistently identify several barriers which continue to slow the pace of progress. Grid constraints, transmission charging, planning delays, consenting complexity and ongoing fiscal uncertainty are all highlighted as areas where greater alignment and long-term certainty would help accelerate investment and project delivery.

The North-east of Scotland remains one of the world's leading centres of offshore engineering expertise, supply chain capability and energy innovation. The skills, experience and industrial capability developed through the North Sea over the past five decades are precisely the capabilities now required to deliver offshore wind, carbon capture, electrification and wider low-carbon infrastructure.

One of the clearest themes running throughout this report is therefore the importance of a balanced and well-managed transition - one which accelerates lower-carbon technologies while also recognising the continuing role domestic oil and gas production will play in supporting energy security, industrial capability and workforce resilience during what will inevitably be a multi-decade transition.

The opportunity for this region remains substantial. The expertise still exists here in our highly skilled workforce and globally recognised supply chain. With the right policy environment, stable fiscal frameworks and continued investment in infrastructure and project delivery, the North-east of Scotland is exceptionally well placed to remain a globally significant integrated energy hub for decades to come.

At D2Zero, we continue to see every day the innovation, determination and ambition which exists across the sector. Energy Transition 43 makes clear that businesses are ready to play their part in delivering the UK's energy future. The challenge now is ensuring the conditions are in place to allow that transition to succeed in a way which supports both economic resilience and long-term energy security.

D2Zero

Nicola MacLeod
General Counsel & Head of Corporate Affairs
D2Zero

The energy sector in North-east Scotland has rarely faced a period of greater complexity, contradiction and consequence than it does today.

The direction of travel towards a lower-carbon economy is clear, necessary and widely supported across industry with businesses throughout the region investing significant time, capital and expertise into supporting the UK's energy transition ambitions. From offshore wind and electrification to carbon capture, hydrogen and wider decarbonisation technologies, there is genuine innovation and commitment emerging across the sector.

It's clear that the North Sea remains a critical component of the UK economy, energy system and wider industrial capability. Oil and gas continue to underpin a significant proportion of domestic energy demand, while the sector itself supports hundreds of thousands of jobs directly and indirectly across the entire UK. Here in the North-east of Scotland, the industry's economic contribution extends far beyond operators and producers alone. Professional services, engineering, manufacturing, logistics, technology, hospitality, local communities and more all remain deeply interconnected with energy activity.

What we have been consistently finding from conversations within the sector, and reflected in this survey, is concern around pace and a lack of certainty – not opposition to transition itself. Businesses are increasingly operating within an environment where long-term investment decisions are being impacted not simply by taxation levels or commodity volatility, but by wider uncertainty around future policy direction and ongoing political narrative and instability.

In many respects, businesses can and still do adapt to challenge – the UK energy sector has done so repeatedly over decades. However, we know that capital investment, workforce planning and infrastructure development all require long-term visibility. Without that visibility, caution inevitably begins to replace confidence.

The latest Energy Transition Survey findings reflect an industry willing to evolve, invest and adapt but increasingly and understandably concerned about policy volatility, investment uncertainty and the absence of a genuinely balanced just transition strategy. If the UK is to achieve both energy security and successful decarbonisation, then pragmatism, stability and long-term confidence is key.

Recent political and industry debate has only reinforced this. From discussions at All-Energy 2026 through to the proposals outlined within the King's Speech around an Energy Independence Bill, it's clear that energy security needs to be at the centre of national economic policy. Simultaneously, increasingly polarised debate surrounding the future of the North Sea continues to create uncertainty across investors, operators and the wider supply chain.

This is particularly important in an industry where investment horizons are measured not in months, but often decades.

Increasingly, the concern being expressed across industry is not about the principle of transition itself, but about the risk of creating policy imbalance - where the pace of decline in existing domestic energy capability materially outstrips the pace at which replacement industries, infrastructure and investment are realistically able to scale.

The survey also reinforces the extent to which the wider supply chain continues to face significant pressure. Larger operators may retain relatively strong balance sheets, but many SME and mid-market businesses are operating within a far more challenging environment. Rising employment costs, inflationary pressures, financing costs and uncertain project pipelines are combining to create increasing strain across parts of the supply chain which have historically formed the backbone of the North-east economy.

Despite softer business confidence in certain segments, businesses continue to also report shortages of experienced technical, engineering and professional personnel. The transition agenda itself is adding further complexity, as companies seek to retain existing capability while simultaneously building new expertise in emerging technologies and markets.

The North-east of Scotland possesses decades of globally recognised expertise in offshore engineering, project delivery, subsea capability and large-scale energy infrastructure. These are not legacy skills with diminishing relevance. They are precisely the capabilities required to support successful energy transition projects both domestically and internationally.

There remains enormous potential for the region to play a leading role in the next chapter of the global energy system. But achieving that potential requires realism alongside ambition. Transition technologies and markets will continue to develop, but many remain commercially immature or heavily dependent upon policy support and investment confidence. A successful transition therefore requires balance: maintaining energy security, economic competitiveness and industrial capability while scaling lower-carbon solutions at a pace the economy and infrastructure can realistically support.

Perhaps the strongest message emerging from the sector is therefore the need for energy policy to sit above short-term political cycles. Major capital allocation decisions across oil and gas, offshore wind, CCS, hydrogen, electrification and grid infrastructure are not just measured over electoral terms. Stable, pragmatic and investable policy frameworks remain essential if the UK is to attract long-term investment, retain critical skills and deliver a transition which is both economically and operationally sustainable.

Against this backdrop, the importance of constructive dialogue between industry and policymakers has never been greater. Too often, public debate surrounding energy policy becomes polarised between competing extremes. In reality, most businesses operate from a far more pragmatic position.

The survey demonstrates that most do not view the future through the lens of “either/or”. The overwhelming majority recognise the need to accelerate lower-carbon technologies and support decarbonisation. Equally, they also recognise the continuing importance of domestic oil and gas production, energy affordability, industrial competitiveness and national resilience during what will inevitably be a multi-decade transition.

What businesses are consistently seeking is not special treatment or protection from change. Rather, they are seeking stable policy frameworks, long-term visibility and a transition strategy grounded in commercial and operational reality. Above all, they want confidence that the UK remains committed to remaining an attractive place to invest, innovate and build long-term energy capability.

The North-east has repeatedly demonstrated resilience, adaptability and leadership through periods of enormous industrial change, and can do so again. But rather than on just aspiration, a successful transition will be measured tangibly by whether we retain jobs, skills, investment, industrial capacity and energy security while building the lower-carbon economy of the future.

The energy transition remains one of the defining economic and industrial challenges of our time. Ensuring it is delivered in a way which supports both environmental ambition and economic resilience will be critical to the region and wider nation.

The North-east is ready and retains many of the capabilities required to support that future successfully. However, confidence is far harder to rebuild than maintain and without the stability and support that the sector craves, it risks losing it entirely.

Mark Stewart
Partner and Sector Head of Energy, Infrastructure and Sustainability, Johnston Carmichael LLP

David Wilson
Aberdeen office managing partner
Johnston Carmichael LLP

Sector trends and outlook talking points

- From historically low points in the last dataset, we see revenue and profit predictions returning closer to the norm of the last three years, possibly related to the global context and nature of the industry.

- While UK activity still accounts for the majority of their revenue, respondents are forecasting that, in less than five years, overseas markets will have become their main source of income.

- Downward trends in decarbonisation of operations and renewables activity in the UK continue. But respondents did report a sharp uptick in decommissioning work.

- International activity is outperforming the UKCS across most project categories, particularly in production, exploration, and decommissioning, though renewables and decarbonisation work is declining overseas as well as domestically.

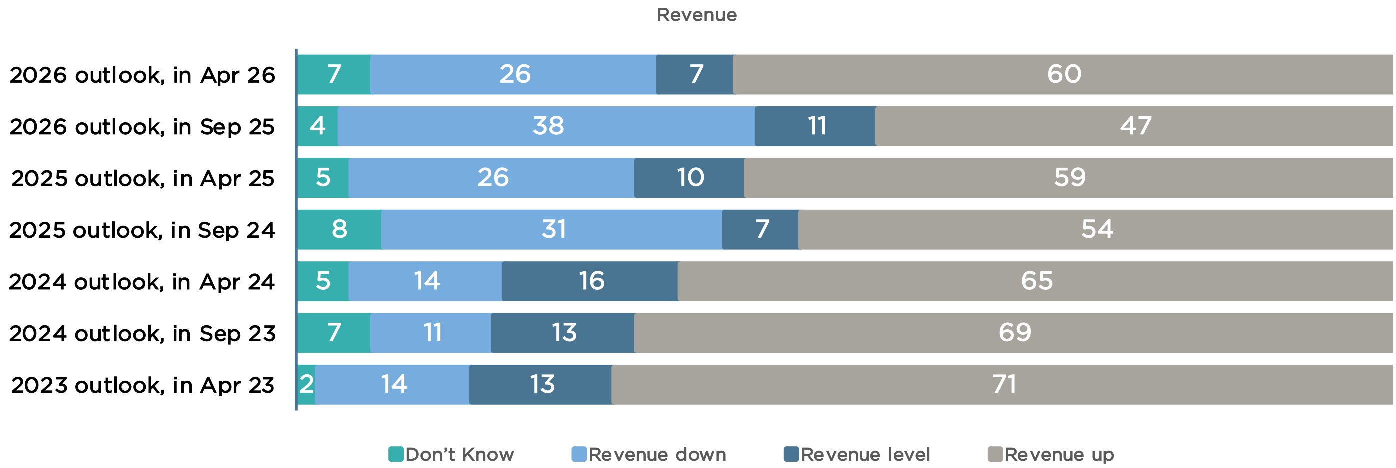
- Interestingly respondents tell us that other government energy policy (i.e. licencing and consenting) is ahead even of tax policy as a barrier to UKCS activity. Level of demand for products and services is at its highest mark in over two years, possibly reflecting global conditions. There was a notable increase in companies reporting difficulty in accessing capital and loans.

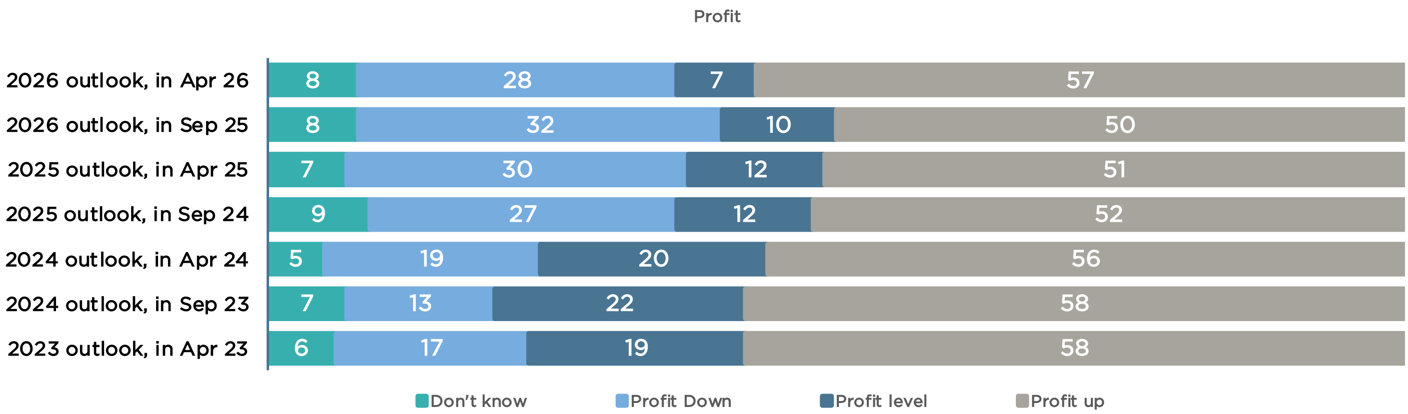
- In contrast, outside the UKCS, demand for products and services by far remains the most important driver of activity demonstrating the negative impact in the UK of interventionist policy.

- Business optimism continues to diverge between the UKCS and international markets since summer 2022. Confidence in the UKCS remains deeply negative highlighting sustained pessimism around domestic sector conditions. In contrast, optimism outside the UKCS is increasingly net positive, strengthening significantly in both short and medium-term outlook since the last survey.

1. From historically low points in the last dataset, we see revenue and profit predictions returning closer to the norm of the last three years, possibly related to the global context and nature of the industry.

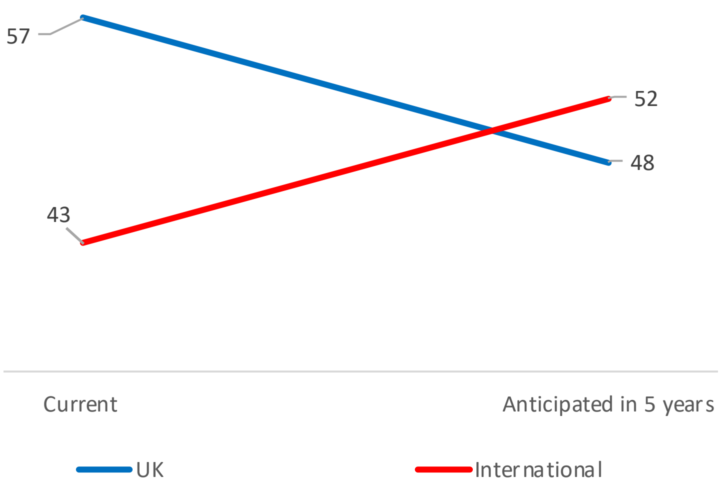
Q: To what extent do you expect your organisation's revenue / profit to change in 2026, compared to 2025:





(% sector view of revenue/profit change v previous year)

2a). While UK activity still accounts for the majority of their revenue, respondents are forecasting that, in less than five years, overseas markets will have become their main source of income.



Q: What proportion of your revenue is in:

	Current (2026)	Anticipated in 5 years
UK	57	48
Europe	13	15
Rest of the world	30	37

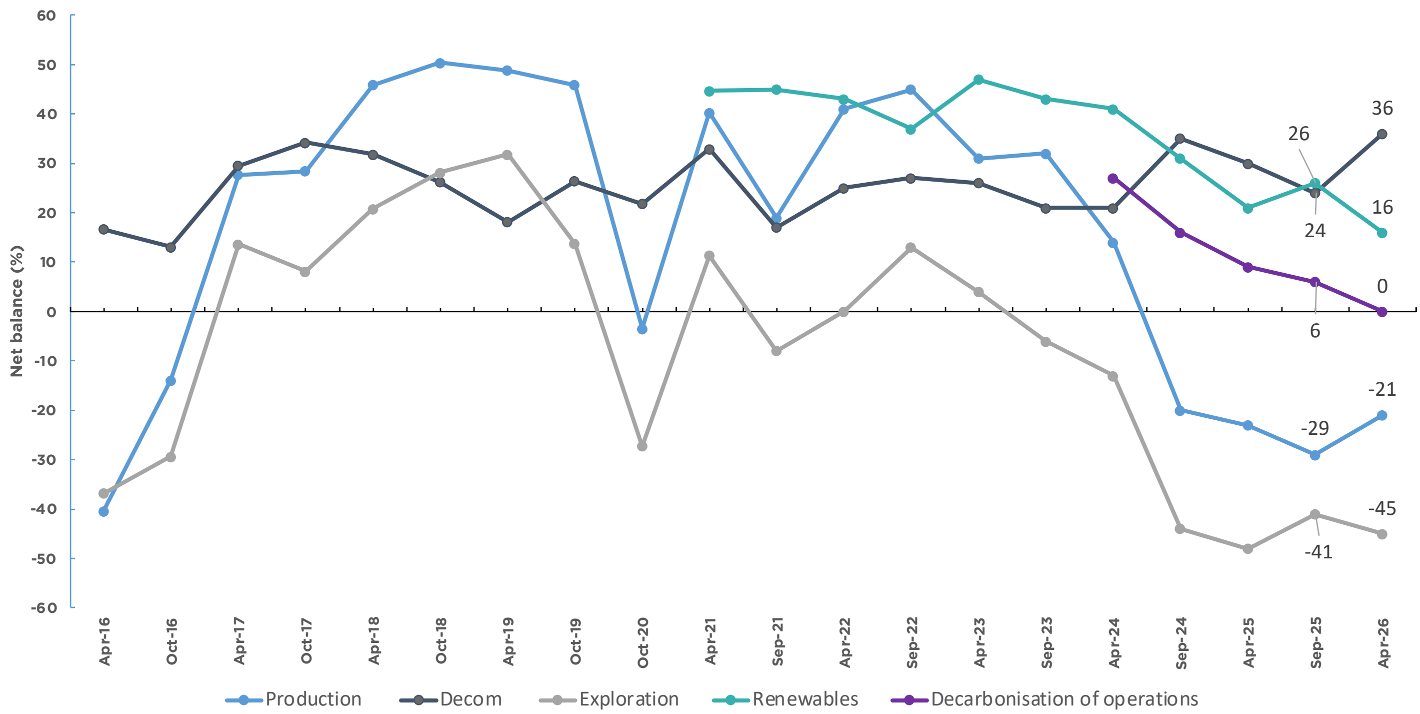
2b). The shift in revenue distribution is primarily driven by a combination of push factors in the UK, notably policy uncertainty, taxation, and declining North Sea activity, and pull factors internationally, including stronger investment pipelines, clearer long-term strategies, and more commercially attractive markets. As a result, the Middle East, Africa, and the America are consistently identified as offering the greatest growth opportunities, while Europe plays a secondary but important role, particularly in energy transition activities.

Q: Can you say what driving this and which markets are offering most opportunity?

Segment (revenue shift)	Typical change pattern	Key drivers	What's driving the shift	Markets offering most opportunity
UK-focused → Staying UK-focused	UK remains dominant (e.g. 80–100% → similar)	Localised business models - Infrastructure / ports / legal constraints - UK energy (electricity, grid, decommissioning)	These organisations are structurally tied to the UK or operate in sectors where domestic demand remains stable. Growth is incremental rather than transformational.	- UK (electricity transmission, infrastructure) - Some limited Europe (e.g. grid, renewables)
UK-focused → Diversifying internationally (Dominant pattern)	High UK share → declining UK, rising ROW	UK policy & taxation (EPL, licensing) - Decline in North Sea activity - Reduced investment confidence - Need to sustain business	Businesses are actively reducing reliance on the UK due to perceived policy instability and shrinking oil & gas activity. Internationalisation is often described as essential for survival.	- Middle East (very prominent) - West Africa (Angola, Nigeria, Namibia) - North America (US, Gulf of Mexico) - Brazil / Latin America - Asia-Pacific
Already international → Expanding further internationally	Low UK → even lower UK, strong ROW growth	Established global operations - Stronger demand abroad - Higher margins internationally - Client-led global delivery	These firms are less dependent on UK conditions and are scaling in markets where investment, activity, and profitability are stronger.	- Middle East - Africa - US & Americas - Southeast Asia - Australia
Balanced/global → Rebalancing away from UK	Mixed split → increased ROW share	Portfolio diversification - Client demand shifting globally - Oil & gas decline in UK - Growth in new sectors	Firms are adjusting portfolios in response to both declining UK oil & gas and emerging opportunities in new sectors and geographies.	- Middle East - Norway - Africa - Brazil - Global offshore markets
Europe-focused growth (niche segment)	Increase in Europe share	Energy transition opportunities - More stable/regional policy (vs UK) - Norway activity	A smaller group sees Europe as a key growth region, particularly where energy transition activity is more advanced or stable.	- Norway (frequently cited) - Northern Europe - EU energy transition markets

3. Downward trends in decarbonisation of operations and renewables activity in the UK continue. But respondents did report a sharp uptick in decommissioning work.

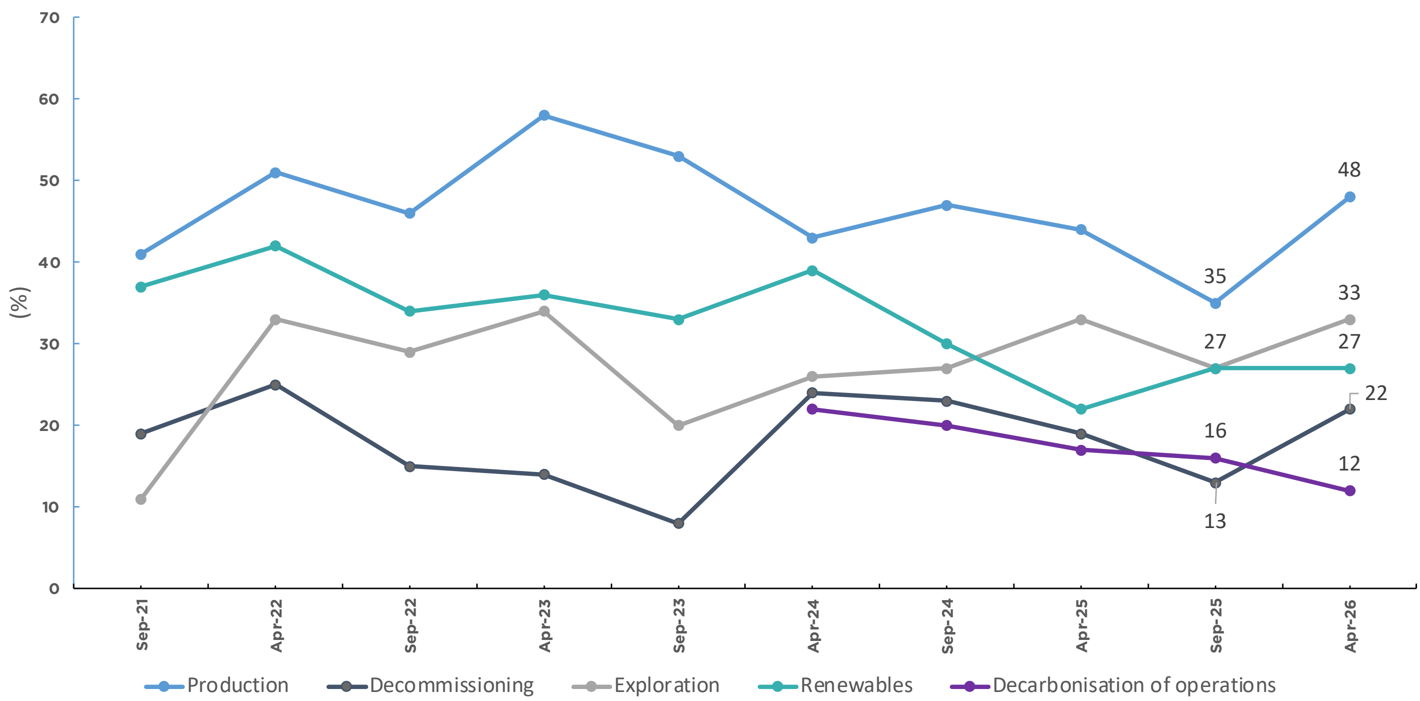
Q: What are the trends in the total value of your organisation's work **in the UKCS** of:



(% up minus % down)
Note that we only know the direction of the trend not the value/proportion of the work

4. International activity is outperforming the UKCS across most project categories, particularly in production, exploration, and decommissioning, though renewables and decarbonisation work is declining overseas as well as domestically.

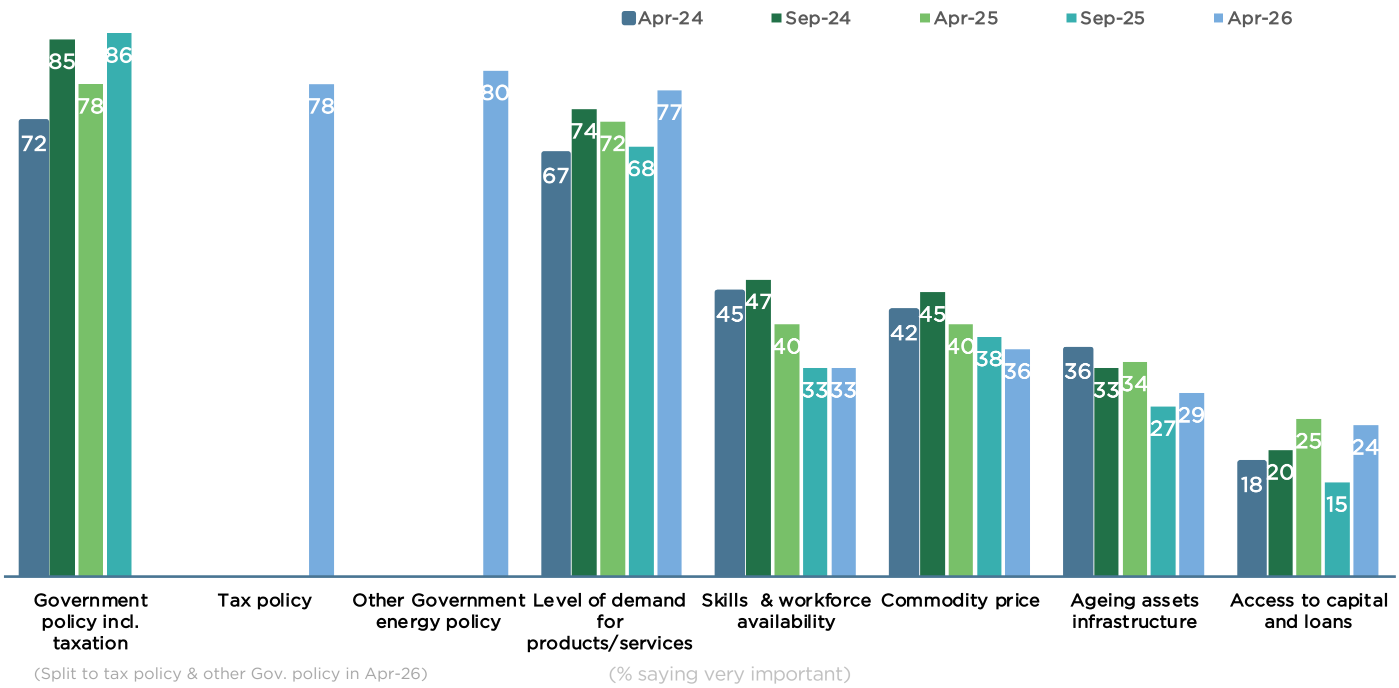
Q: What are the trends in the total value of your organisation's work **outside the UKCS**:



(% up minus % down)

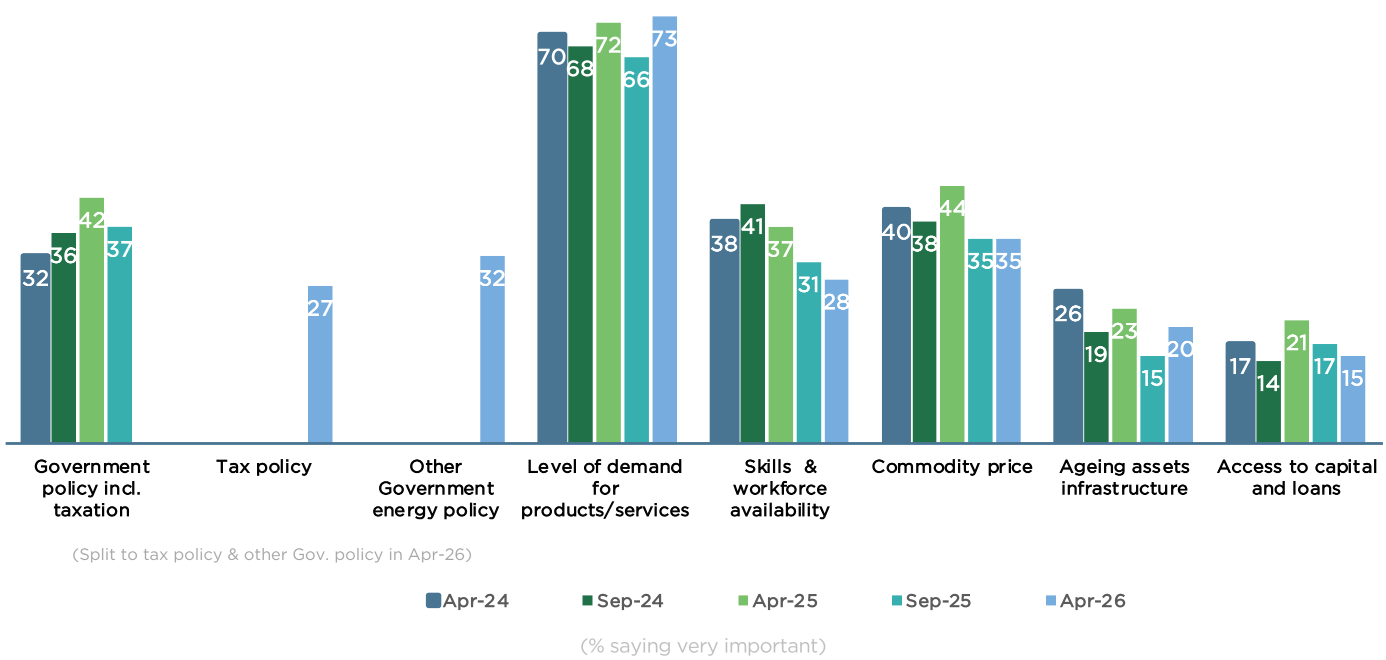
5. Interestingly respondents tell us that other government energy policy (i.e. licencing and consenting) is ahead even of tax policy as a barrier to UKCS activity. Level of demand for products and services is at its highest mark in over two years, possibly reflecting global conditions. There was a notable increase in companies reporting difficulty in accessing capital and loans.

Q: **UKCS;** How important are the following factors in the level of activity over the next year?



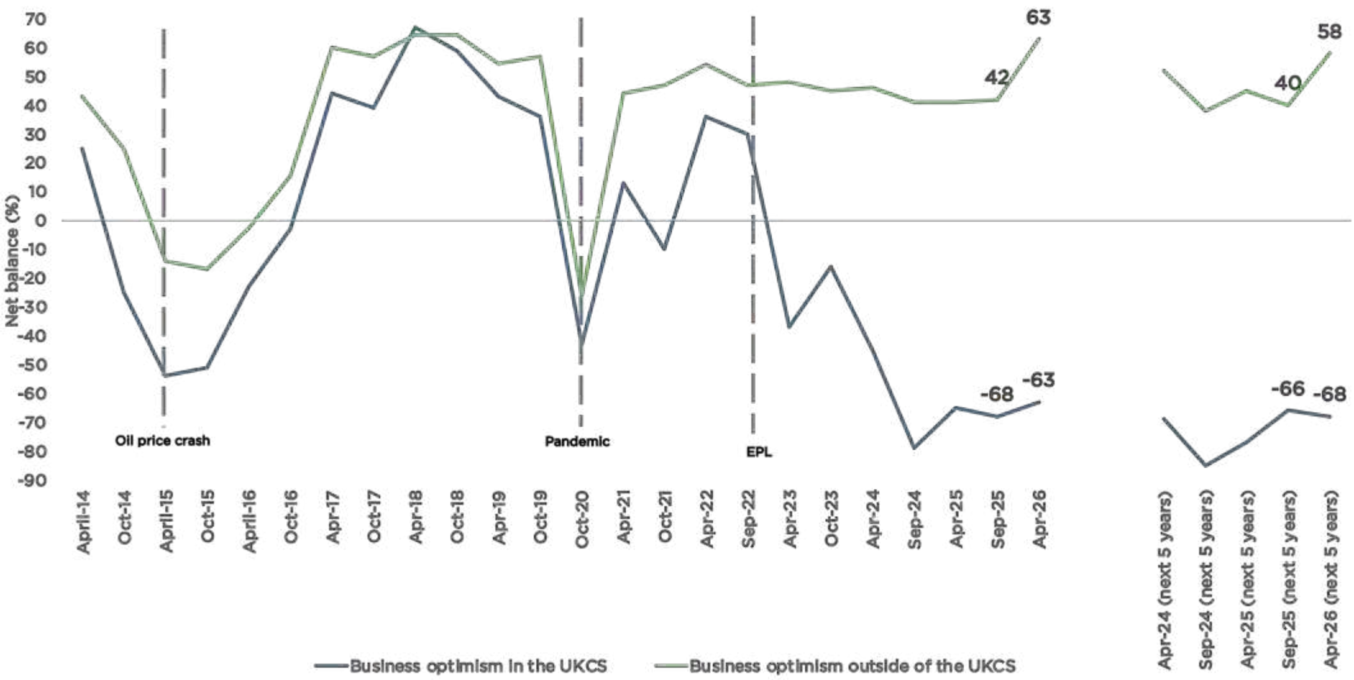
6. In contrast, outside the UKCS, demand for products and services by far remains the most important driver of activity demonstrating the negative impact in the UK of interventionist policy.

Q: **Outside UKCS;** How important are the following factors in the level of activity over the next year?



7. Business optimism continues to diverge between the UKCS and international markets since summer 2022. Confidence in the UKCS remains deeply negative highlighting sustained pessimism around domestic sector conditions. In contrast, optimism outside the UKCS is increasingly net positive, strengthening significantly in both short and medium-term outlook since the last survey.

Q: Compared to 12 months ago, how confident are you about the business situation in the oil & gas sector in the UKCS and outside of the UKCS over the next year and 5 years?



Why do you say that?

Theme	Description	Illustrative Quotes
Government policy & fiscal uncertainty	The dominant concern was UK and Scottish Government policy, particularly the Energy Profits Levy (EPL), windfall taxes, lack of new licences, and unclear long-term strategy. Respondents felt policy was actively discouraging investment and accelerating decline in the UKCS.	"Government policies are hammering the sector" "Policy not geology is determining the outcome" "The UKCS is being taxed into extinction"
International markets stronger than UKCS	Many businesses reported stronger confidence and growth opportunities outside the UK, particularly in the Middle East, Africa, Norway, Brazil, and the USA. Overseas markets were seen as more supportive of oil & gas investment and energy mix strategies.	"All our growth is outside the UK" "Customers have record backlog internationally" "Nothing doing here in the UK except Decomm rigs"
Managed decline, decommissioning & reduced UKCS activity	Respondents described the UKCS as a mature basin moving increasingly toward decommissioning, with fewer new projects, less drilling activity, and a shrinking pipeline of work beyond late-life asset management.	"We are decommissioning around 15 assets per annum" "UKCS is a diminishing asset"
Workforce, skills & regional economic impact	Falling confidence is affecting employment, skills retention, and the wider Aberdeen and North-east economy. Businesses highlighted redundancies, early retirements, talent leaving overseas, and increasing pressure on SMEs.	"Reducing UK workforce by >50%" "Younger ones moving overseas" "Talent in Aberdeen will continue to move abroad"
Energy security & need for a pragmatic transition	Many respondents supported the energy transition but felt the UK approach lacked pragmatism. They argued for a balanced energy mix where oil & gas, renewables, and nuclear coexist to protect affordability, jobs, and national energy security.	"Transition, not abandonment" "Oil & gas, renewables and nuclear should coexist" "National energy security should be top priority"

Energy Transition Case Study - SSEN Transmission

The north of Scotland is one of the UK's most important clean energy regions. With some of Europe's best renewable resources, the area has a crucial role to play in delivering energy security with home-grown clean power – the path to more affordable bills. But unlocking that opportunity depends on a modern electricity transmission network capable of moving clean power from where it's generated to where it's needed. Here at SSEN Transmission, based in Scotland, that's our responsibility.

Upgrading the network is a national priority. For SSEN Transmission, this means delivering investment of around £29bn by 2030. The scale is unprecedented, bringing both opportunity and challenge.

A delivery challenge

The case for investment is clear. Successive governments at Westminster and Holyrood have set ambitious targets to decarbonise electricity and expand renewable generation at pace. At the same time, electricity demand is expected to grow significantly as transport and heating are electrified.

Securing timeous planning decisions is a key challenge, as projects in the past have taken several years to secure the necessary consents. New guidance issued last year by the Scottish Government to determine priority applications for transmission infrastructure within 52 weeks was a big step in the right direction, but it needs to become reality if we are to deliver on energy security and clean power targets.

Working with communities

Alongside challenges, there is a clear societal dimension. The transmission grid is essential national infrastructure, but it is delivered locally - often in rural communities where its impact can be most visible.

That makes engagement and collaboration essential. Across the north of Scotland, SSEN Transmission has undertaken extensive consultation to help shape proposals and respond to local concerns, making changes to plans where possible.

Balancing national need with local considerations is not straightforward, but it is fundamental to delivering infrastructure in a way that commands public confidence.

Delivering at pace

The importance of this area in the UK's energy system is growing – our network in the north of Scotland will have the capacity to meet a fifth of Great Britain's demand for clean power.

But delivery at this scale brings practical challenges. Projects span large and remote geographies, placing pressure on supply chains, skilled labour and accommodation. Addressing these issues is critical.

Tangible benefits in the north east

While the long-term benefits of grid investment are clear, there are tangible impacts already being felt locally, including work for local businesses and helping people transition from oil and gas based employment.

In Aberdeenshire, SSEN Transmission has committed to supporting the delivery of over 300 new homes – boosting affordable and social housing. These will initially accommodate construction project workers but will become a long-term asset for local communities, helping to relieve housing pressures.

Community benefit funding is also making a difference. For example, our Regional fund has supported Aberdeen's new Energy Transition Skills Hub, amid a range of projects; recipients of our East Coast local fund include Inverurie First Responders; and our Eastern Green Link 2 local fund has made an award to Peterhead FC Community Foundation and other organisations.

A long-term opportunity

Looking ahead, the impact of this investment will extend far beyond the construction phase.

A modernised transmission network will enable more renewable generation, strengthening the north east's position as a clean energy hub. It will also support wider economic growth, creating opportunities for businesses in the supply chain, and help to attract new industries.

For the north east, this is a generational opportunity - one that combines economic growth with the transition to a cleaner, more secure, more affordable energy system.

Delivering together

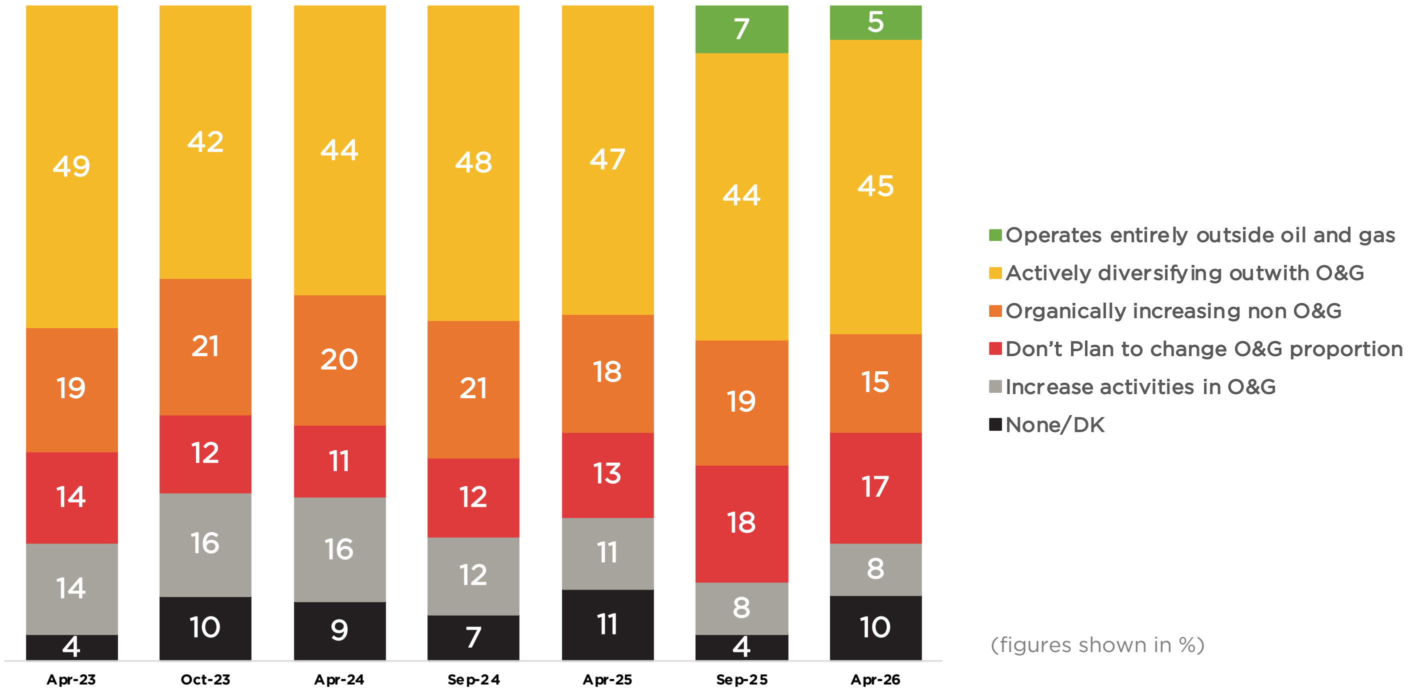
Upgrading the transmission network is not without its challenges, but it is essential to our energy security and affordability.
Success will depend on collaboration - between industry, all spheres of government, and communities - to ensure infrastructure can be delivered at pace while bringing lasting local benefits.
For the north east in particular, the prize is clear: a stronger regional economy, underpinned by the opportunities of a secure, clean power future.

Sector diversification talking points

- The intent around energy transition remains broadly stable overall, with around two-thirds of respondents actively or organically seeking to diversify their activity profile.
- This latest survey shows a marked shift of current and longer-term focus towards (international) oil and gas operations to the detriment of 'new energy' activities.
- The reduction in the five-year outlook for offshore wind, CCS and decommissioning activity since the last survey is marked.
- Although respondents see major opportunity in North Sea decommissioning, the reality appears somewhat different.
- Although project availability, pace and profitability are key constraints to companies diversifying their operations, the key barriers remain market stability and government policy.
- Levels of pessimism about the UK, Scotland and Aberdeen becoming established as leaders in the future energy system continues to increase markedly.

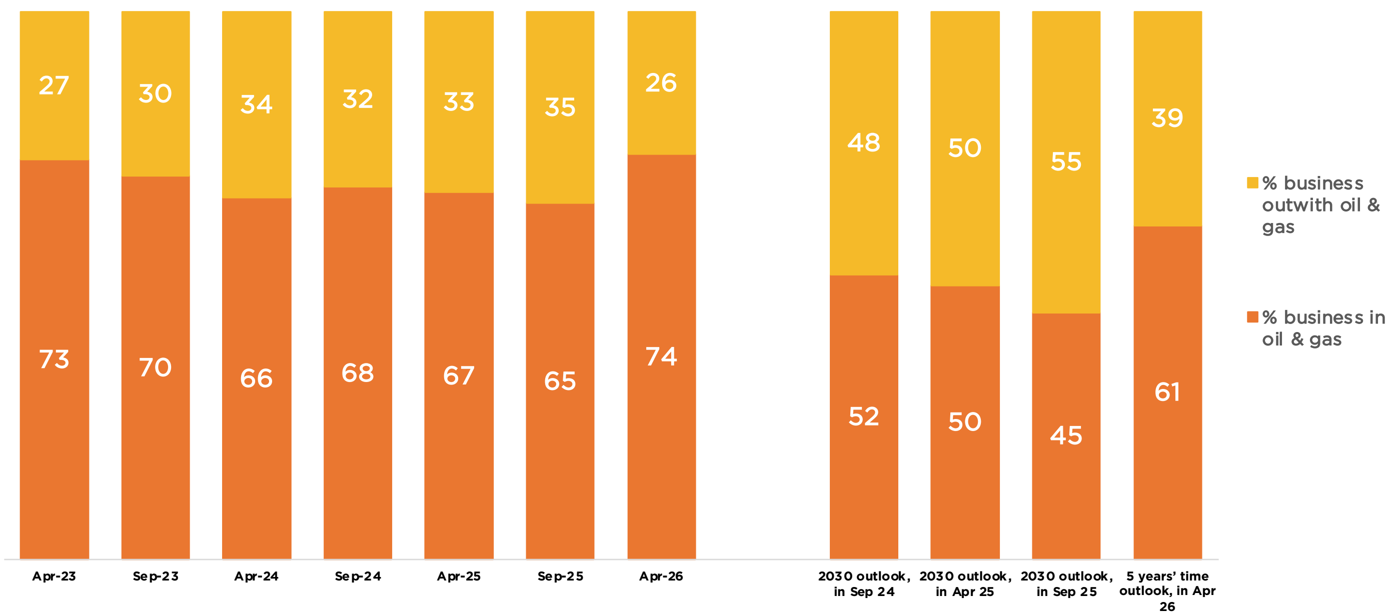
8. The intent around energy transition remains broadly stable overall, with around two-thirds of respondents actively or organically seeking to diversify their activity profile.

Q: Which of the following best describes your business' strategy and approach to energy transition?



9a). This latest survey shows a marked shift of current and longer-term focus towards (international) oil and gas operations to the detriment of 'new energy' activities.

Q: What is the breakdown of your business activities today and forecast in 5 years' time?



Note: The 5 years' time outlook drawn from the Apr. 2026 survey.

(Data is the mean, figures shown in %)

9b). This is how respondents see their work profile now and in five years time. The reduction in the five-year outlook for offshore wind, CCS and decommissioning activity since the last survey is marked.

Q: What is the breakdown of your non-oil & gas activities today and forecast in 5 years' time?

	September 2025		April 2026	
	Current %	Expected % in 5 years' time	Current %	Expected % in 5 years' time
Total Non-Oil & Gas	**35**	**55**	**26**	**39**
Decommissioning	7.9	12.1	5.6	8.8
Subsea engineering	2.8	2.7	3.7	4.1
Marine	2.5	3.1	3.1	3.9
Offshore wind	5.2	8.4	2.6	4.6
Other (Aquaculture, Battery Storage, Food & Drink, General Industrial, Mining, cruise, Biofuels, space)	4	6.7	2	2.8
Carbon capture & storage	2	5.9	1.5	2.8
General/civil engineering	2.5	2	1.3	1.9
Geothermal	1.2	2.7	1.1	1.8
Electrification/Decarbonisation of operations	1	1.3	1	1.1
Power generation	1.9	1.8	0.9	1.3
Nuclear	0.6	1.1	0.8	1
Grid/infrastructure	1.1	1.8	0.7	1.4
Hydrogen production and/or transportation	0.3	1.7	0.7	1.3
Onshore wind	0.9	1.2	0.5	0.8
Defence	0.8	1.7	0.3	1
Solar	0.1	0.3	0.2	0.4

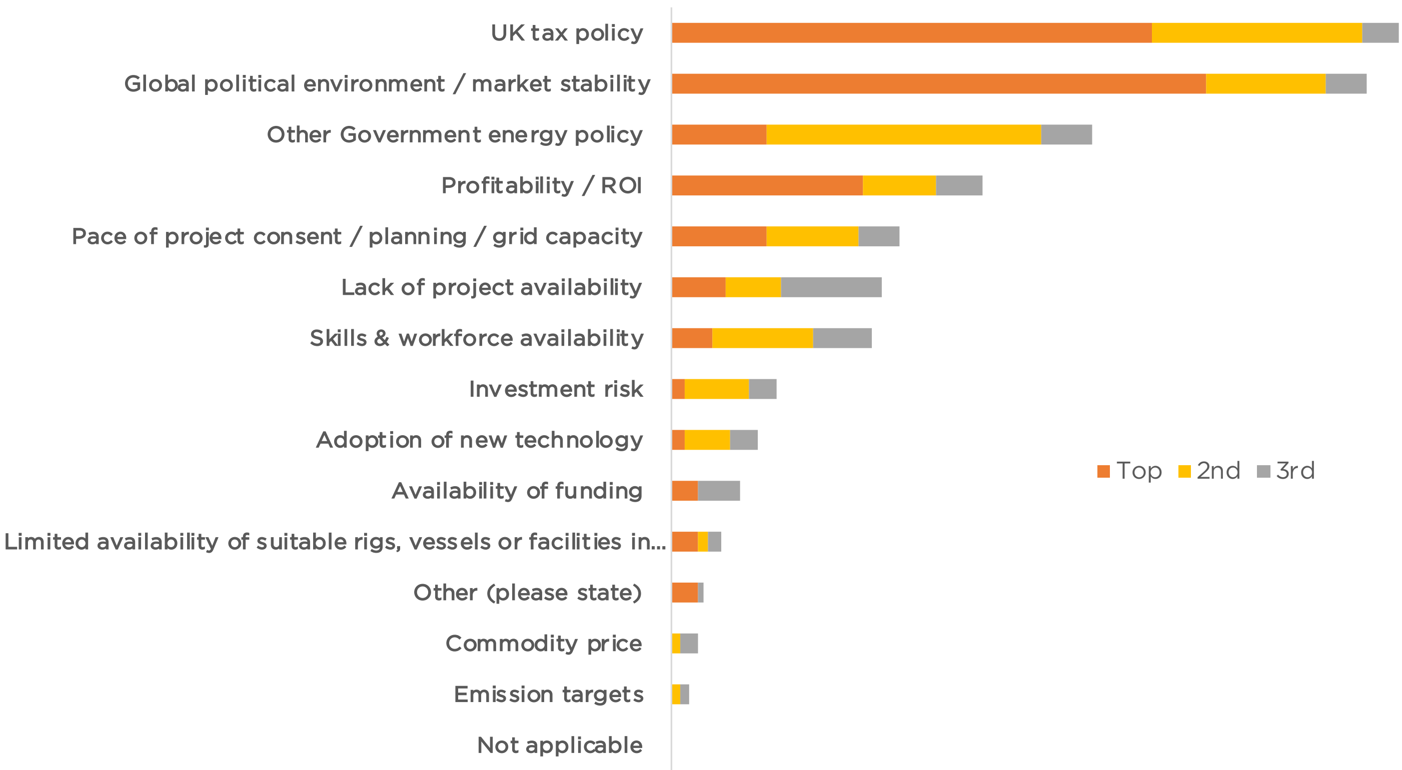
10. Although respondents see major opportunity in North Sea decommissioning, the reality appears somewhat different.

Q: What do you see as the main barriers preventing the realisation of the multi-billion supply chain opportunity offered by North Sea decommissioning activity?

Theme	Description	Illustrative Quotes
Government policy, fiscal regime & regulation	The most common barrier identified was government policy uncertainty, including the EPL (Energy Profits Levy), punitive taxation, unclear decommissioning strategy, and complex multi-layered regulation. Respondents felt this reduces operator confidence, delays investment decisions, and discourages timely decommissioning activity.	"No UK Government plan or strategy" "UK Government fiscal policy remains the biggest barrier" "Government policy and the EPL" "Punitive taxation levels"
Operator delays, deferred spend & lack of commitment	Many respondents said operators continue to delay decommissioning, "kick the can down the road," and avoid committing capital due to cost pressures and uncertainty. Without stronger enforcement or incentives, projects are repeatedly postponed.	"Operators kick the can down the road" "Procrastination by Operators" "No one wants to spend on Decommissioning" "Decommissioning works being deferred"
Fragmented pipeline & poor visibility of work	Businesses highlighted the lack of predictable project timelines and long-term planning. Work is often procured project-by-project rather than through coordinated programmes, making it difficult for suppliers to invest, recruit, and scale capability with confidence.	"Lots of talk and hype, but not much real activity" "Fragmented and unpredictable project timelines" "Timescales are too extended for effective resource utilisation"
Supply chain access, skills & infrastructure constraints	Respondents pointed to shortages in vessels, rigs, port infrastructure, laydown space, and skilled labour, alongside concerns that smaller UK businesses are being excluded in favour of large multinational contractors. Skills loss from workforce decline was also seen as a major risk.	"Availability of local supply chain and workforce" "Smaller companies are forced to burden the risk" "Loss of skills, experience and knowledge" "We do not have the port structure or lay down space"
Cost pressures & lowest-cost procurement	High decommissioning costs, vessel scarcity, tight margins, and procurement based on lowest price rather than local value were seen as major barriers. Respondents felt too much work risks being awarded overseas, limiting UK supply chain benefit.	"It will be done as cheaply as possible and awarded to the lowest bidder" "Operators looking to lowest price geographies" "Heavy lift ships are overseas owned" "High costs and tight margins"

11. Although project availability, pace and profitability are key constraints to companies diversifying their operations, the key barriers remain market stability and government policy.

Q: Which of the following do you consider as the main challenges to diversification over the next 5 years?

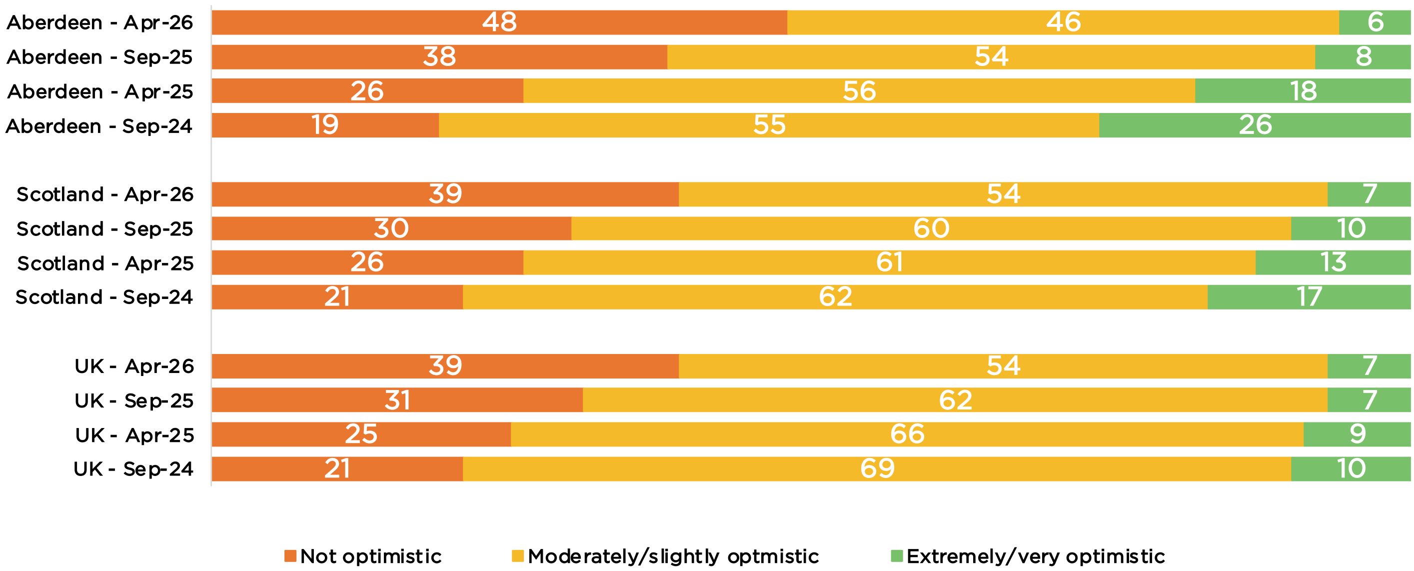


Q: Please expand on your answer:

Theme	Description	Illustrative Quotes
Government policy, taxation & investment confidence	The strongest theme was frustration with UK tax policy, the EPL, and wider government energy policy creating an unstable and unattractive investment environment. Respondents felt frequent policy changes, punitive taxation, and lack of long-term strategy were discouraging both oil & gas investment and diversification into new energy sectors.	"No UK Government reliable plan" "Nobody wants to invest in the UK" "UK tax policy gives no incentive" "EPL contributed to major projects being cancelled"
Delays in energy transition projects, planning & grid capacity	Many businesses highlighted that diversification opportunities exist, but actual projects are being delayed by slow planning approvals, grid connection constraints, outdated CfD structures, and lack of operator commitment. This creates poor visibility and makes it difficult for supply chain companies to invest in diversification.	"No actual projects being awarded" "Planning is taking too long" "We do not have the planning permissions yet for the grid connections" "CfD needs to be amended"
Skills, commercial viability & global competition	Companies reported that diversification is difficult because renewable projects often offer lower margins, weaker ROI, and stronger competition than traditional oil & gas work. Skills shortages, workforce migration, and international market competition were also seen as major barriers to successful transition.	"Renewables projects are economically challenging" "Workforce will move abroad" "Profitability is far leaner than existing O&G" "UK contracts still being awarded overseas"

12. Levels of pessimism about the UK, Scotland and Aberdeen becoming established as leaders in the future energy system continues to increase markedly.

Q: How optimistic are you about the long-term future of a) Aberdeen, b) Scotland, & c) UK as leading the way as an integrated globally recognised energy hub focused on the delivery of net zero?



Q: Why do you say that?

Aberdeen	Scotland	UK
"GB Energy headquartered in Aberdeen. Knowledge and skills in region." "We are expanding our footprint in Aberdeen and see it as a key enabler of the energy transition given the expertise in energy." "Great work by ETZ and AGCC putting Aberdeen on map." "The North-east has a long history of entrepreneurs and engineering excellence and will always be able to be creative and adaptive." "Aberdeen is dying in front of our eyes, and the UK Scotland do not support or even trust the private sector. Little more than Tax cattle for a burgeoning welfare state with an ever-ageing population." "Aberdeen is being all but abandoned with the windfall tax destroying the O&G industry."	"Scotland has the abundance of natural resources and workforce in the North-east with the skills to transition to green technologies." "Scotland has the natural resources, offshore capability and workforce to support leadership in green technologies and operations." "Aberdeen, Scotland and the UK clearly retain strong capability, experience and infrastructure which could support a meaningful role in green energy technologies and operations." "There is strong potential for Scotland if planning, grid constraints and policy consistency are improved." "Offshore Renewables will be HQ'd in Scottish Central Belt or London - and they will naturally gravitate towards using companies based there." "Scotland is losing skills, investment and competitiveness due to poor policy and lack of coherent long-term strategy."	"Extremely optimistic for the UK because of its scale, engineering capability, and ability to lead globally if the right policy framework is put in place." "The fundamentals are strong – deep engineering capability, world-class offshore experience, and a growing track record in areas like offshore wind, CCS, hydrogen and geothermal." "Governments come and go so change is almost inevitable and the UK will benefit greatly from policy change, if it comes early enough." "Companies can only invest in a predictable market with stable tax regimes. Nobody wants to invest in the UK." "We are at least 10 to 15 years behind Denmark and there is no show of confidence of funding from the UK Government for the infrastructure required."

Extremely/very optimistic   Moderately/slightly optimistic   Not optimistic

Energy Transition Case Study - ASCO

For businesses with a long heritage in energy, diversification is often talked about as a future ambition. In reality, it has become a strategic route to resilience, relevance and long-term growth.

For ASCO, a business with nearly 60 years of heritage in oil and gas, energy remains important. But the market conditions shaping the sector are changing. Traditional oil and gas activity in the UK is not providing the same certainty of long-term growth it once did. Renewables continue to offer significant potential; however, the market is still maturing and does not yet provide the same level of consistent, predictable project work.

Rather than wait for traditional markets to return to old patterns, ASCO has focused on where its experience can create the greatest value next. Its expertise was developed in oil and gas, but it was never limited to it. The business has spent decades operating in complex, high-risk environments where materials, people, assets, facilities and information must come together safely, efficiently and with precision. That experience is increasingly being applied across defence, critical infrastructure, industrial manufacturing, metals, pulp and paper, nuclear and offshore wind.

Defence is one example of that transition. With resilience, national security and sovereign capability now firmly on the agenda, the sector is facing many of the same challenges ASCO has long helped clients solve: fragmented supply chains, poor materials visibility, cost pressure, schedule risk and the need to deliver major programmes with greater certainty. In these environments, logistics and materials management can determine whether programmes move forward or stall. If materials are not available, traceable, correctly configured and ready when required, delivery suffers.

The challenge is that diversification does not happen simply because a business has transferable skills; one of the biggest barriers is perception. ASCO has had to overcome the risk of being seen only as an oil and gas logistics provider, or as a smaller version of traditional logistics competitors, when its proposition is much broader. It can diagnose operational problems, design better operating models and deliver them on the ground, combining strategic thinking with practical execution.

Another barrier is credibility in new sectors. Even where the operational challenges are similar, new markets want proof. They need to know that a partner can work in complex, high-pressure and security-sensitive environments, and that transformation will lead to measurable outcomes such as reduced waste, better inventory control, fewer delays, lower cost, improved assurance and greater delivery confidence.

There is also an internal transition to manage. Diversification requires clarity, commercial discipline and consistency across sectors and geographies. ASCO's work to strengthen its operating model, unify acquired brands under the ASCO name and improve connection across its global footprint has been central to the strategy.

That sector-led strategy has been executed in parallel with geographic diversification. From its roots in the UK, ASCO has continued to build internationally across markets including Australia, Canada, Trinidad and Tobago and Norway. This is not about exporting UK talent into other regions. It is about continuing to strengthen in existing locations, retaining and developing local capability and applying ASCO's operating discipline across sectors.

There is already evidence that this strategy is taking hold. ASCO secured more than £450m in contracts in 2024, EBITDA has increased by 63% over five years, and work outside oil and gas now accounts for around 15% of UK operations and 30% in Norway.

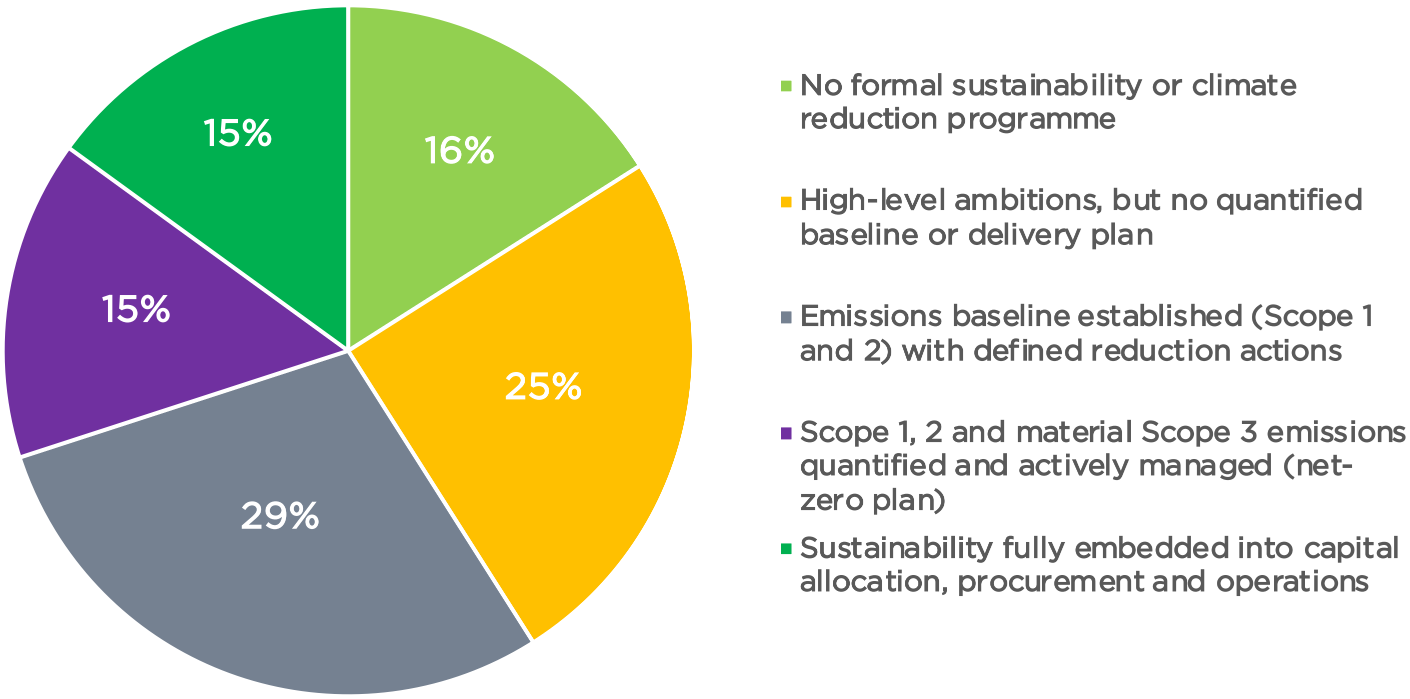
This is not a move away from energy, but a move away from dependency. Oil and gas gave ASCO its foundation, but the experience built there now has wider relevance. The next phase is about using that experience in markets where complexity is increasing, delivery cannot be left to chance, and reliability and resilience matter just as much.

Sustainability & transition readiness talking points

- Most organisations remain in the early-to-mid stages of sustainability maturity, with only 30% having fully embedded or actively managed net-zero approaches covering Scope 1–3 emissions, while 41% still lack a formal programme or delivery plan.
- Emissions tracking is still at a relatively early stage for many organisations, with 28% not quantifying this at all . While most are measuring at least some emissions, only 15% are actively measuring and managing Scope 3 supply chain impacts.
- Sustainability action is primarily being driven by internal leadership and need for compliance. It is not largely viewed as being commercially or financially advantageous.
- Over half would continue with their current sustainability plans even if regulation were delayed or softened indicating that sustainability is now embedded in the strategy and operations of many companies.

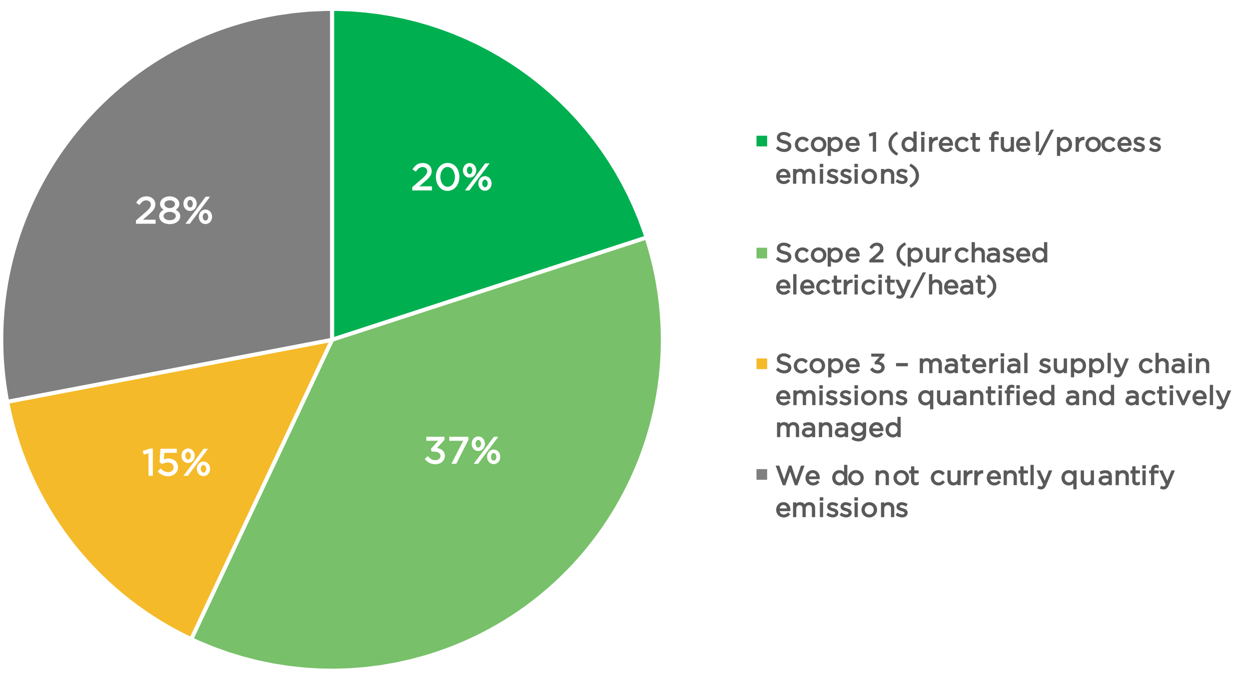
13. Most organisations remain in the early-to-mid stages of sustainability maturity, with only 30% having fully embedded or actively managed net-zero approaches covering Scope 1–3 emissions, while 41% still lack a formal programme or delivery plan.

Q: Which of the following best describes your organisation's current sustainability maturity?



14. Emissions tracking is still at a relatively early stage for many organisations, with 28% not quantifying this at all. While most are measuring at least some emissions, only 15% are actively measuring and managing Scope 3 supply chain impacts.

Q: Which emissions does your organisation currently measure with reasonable confidence?

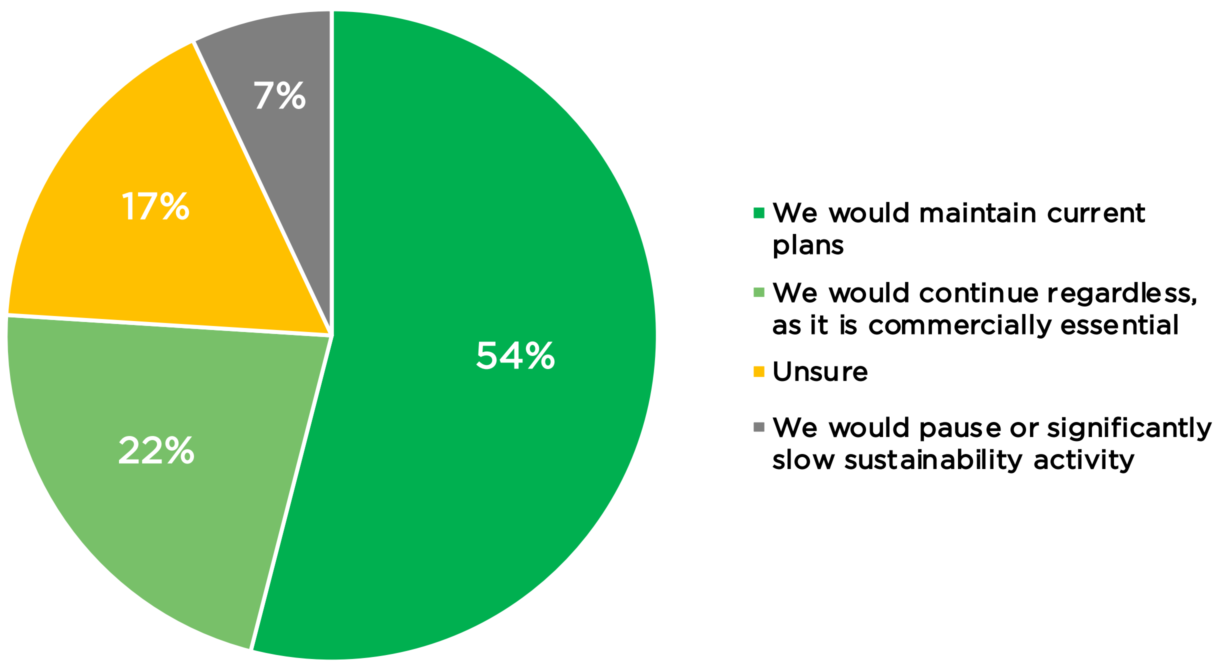


15. Sustainability action is primarily being driven by internal leadership and need for compliance. It is not largely viewed as being commercially or financially advantageous.

Q: What are the primary drivers behind your organisation's sustainability actions?

16. Over half would continue with their current sustainability plans even if regulation were delayed or softened indicating that sustainability is now embedded in the strategy and operations of many companies.

Q: If sustainability regulation were delayed or softened, how would this affect your organisation's sustainability programme?



Energy Transition Case Study - Fugro

How are remote inspection services reshaping Geo data for offshore projects?

Offshore energy projects are becoming larger, more complex, and more closely scrutinised. At the same time, operators face growing pressure to control costs, improve safety, and maintain confidence in project delivery.

Fugro is seeing these pressures reshape what clients expect from Geo-data services. Access to reliable data remains critical, but clients also need faster insight, stronger operational visibility and the ability to respond quickly when conditions change offshore. That is driving increased adoption of remote inspection services across the offshore industry.

By combining near real-time Geo-data delivery with remote expertise and uncrewed technologies, remote inspection services are helping clients to reduce offshore exposure, improve operational sustainability, and make more informed decisions throughout project execution.

Safer operations, faster access to expertise

Traditional offshore survey and inspection campaigns already combine data acquisition, processing and interpretation during operations. Remote inspection services build on these capabilities by changing how expertise is deployed across projects.

Through Fugro's global network of remote operations centres (ROCs), clients can access a wider pool of specialists without increasing offshore personnel. Surveyors, data analysts, and asset integrity specialists can support offshore activities remotely and be brought into projects as needed.

For clients, this creates greater flexibility and responsiveness. Technical challenges can be escalated more quickly, specialist input can be provided as soon as anomalies are identified, and expertise can be shared efficiently across multiple projects simultaneously. Operational safety is also improved by transferring offshore personnel to onshore roles, while maintaining operational oversight and data quality.

That capability depends on resilient digital infrastructure. Secure offshore-to-onshore data transfer, reliable communications and integrated digital workflows allow offshore and onshore teams to work from the same live information. Combined with live streaming and remote system access, project teams can shorten decision loops and maintain visibility as operations progress.

Fugro is expanding the development and utilisation of uncrewed surface vessels (USVs). These USVs support inspection and light geophysical surveys, improve operational safety with no crew onboard, and consume just 5% of the fuel required by traditional survey vessels for similar campaigns.

Improving confidence during offshore delivery

Delayed or fragmented data remains a major challenge for offshore projects. When critical information arrives too late, decisions become more cautious, often leading to additional offshore activity, increased vessel time and unnecessary cost.

Fugro's remote inspection model helps address this by improving visibility throughout offshore operations. Near real-time access to Geo-data allows project teams to review findings as work progresses, validate assumptions earlier and respond more quickly to changing offshore conditions.

As offshore asset portfolios expand and floating wind developments introduce new operational demands, this responsiveness becomes increasingly important. Confidence no longer comes from collecting more data alone. It comes from understanding the right data quickly enough to act on it effectively.

That confidence also depends on trust in how operational information is managed. As offshore operations become more connected, secure data transfer and cybersecurity are playing an increasingly important role in protecting project data and maintaining continuity across offshore activities.

Building a stronger foundation for offshore projects

Remote inspection services do not replace conventional offshore operations. They strengthen them by combining offshore experience with wider access to expertise, safer delivery models and faster operational insight.

Clients can benefit from clearer visibility into offshore activity, reduced operational risk, and greater confidence in project decisions.

As offshore projects continue to evolve, connected and responsive Geo-data services will play an increasingly important role in helping operators deliver projects safely, efficiently and with greater certainty.

Government policy and regulatory environment talking points

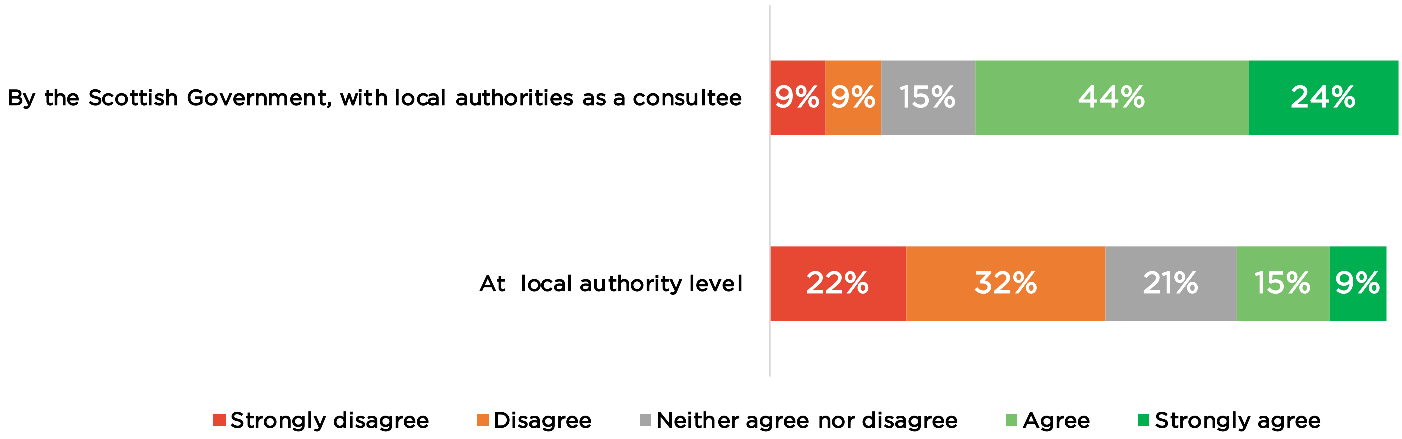
- Clear preference among respondents for centralised decision-making to accelerate grid infrastructure. Only a minority support decisions being made at local level, while a strong majority favour Scottish Government-led decisions with local authorities acting in a consultative role.
- There is overwhelming condemnation of the current transmission charging system, with only 4% of respondents believing that it is fair and just 6% disagreeing that it needs to be reformed.
- Almost three-fifths of organisations did not engage with UK Government energy consultations in the past year with the main reason given, perhaps surprisingly, being lack of awareness. Scepticism about their impact and time and resource constraints were other factors, particularly among SME supply chain respondents.
- Just 8% of respondents agreed that the North Sea Future plan published by DESNZ in November 2025 provides the right framework for industry.
- There is overwhelming support for a more flexible UK Government approach to oil and gas regulation and taxation in response to current geopolitical and energy market conditions. 93% of respondents believe change is justified, while only a very small minority do not.
- 87% agree that new North Sea licences and consents should be granted where operators can clearly demonstrate emissions will be lower than imported equivalents and operations will generate increased domestic investment and GVA.
- There is very strong consensus that, with appropriate fiscal and regulatory frameworks, there is still a positive future for oil and gas activity in the North Sea.
- Views on the future oil and gas price mechanism (OGPM) are mixed, with more respondents disagreeing that it provides a fair framework for future taxation than supporting it.
- However, there is a strong preference for the early introduction of the OGPM, with the vast majority selecting 2026 as the appropriate timing. This is reinforced by near-universal agreement that bringing the mechanism in earlier than 2030 would unlock additional investment and activity in the North Sea.
- Over 90% of respondents described current lack of clarity on energy policy from the Scottish Government as being damaging or highly damaging to industry confidence and investment.

17. Clear preference among respondents for centralised decision-making to accelerate grid infrastructure. Only a minority support decisions being made at local level, while a strong majority favour Scottish Government-led decisions with local authorities acting in a consultative role.

The delivery of onshore grid infrastructure is crucial to unlocking the potential of the Scotland leasing round. However, several recent planning applications have been attracted substantial community opposition and have been blocked by local councillors.

Q .To what extent do you agree or disagree with the following statements:

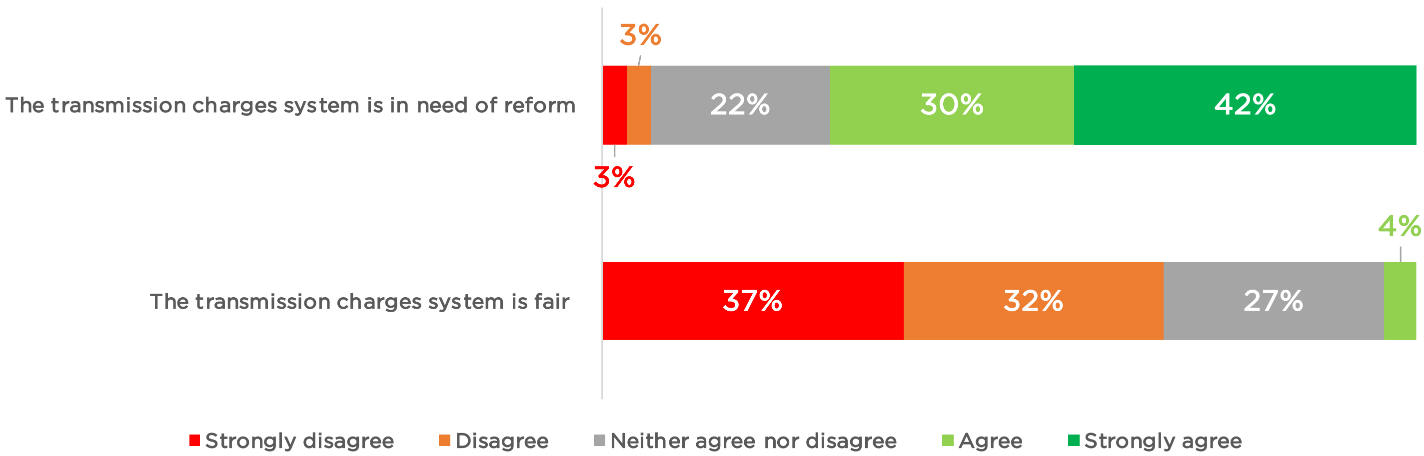
Decisions about grid infrastructure of strategic national importance should be made:



18. There is overwhelming condemnation of the current transmission charging system, with only 4% of respondents believing that it is fair and just 6% disagreeing that it needs to be reformed.

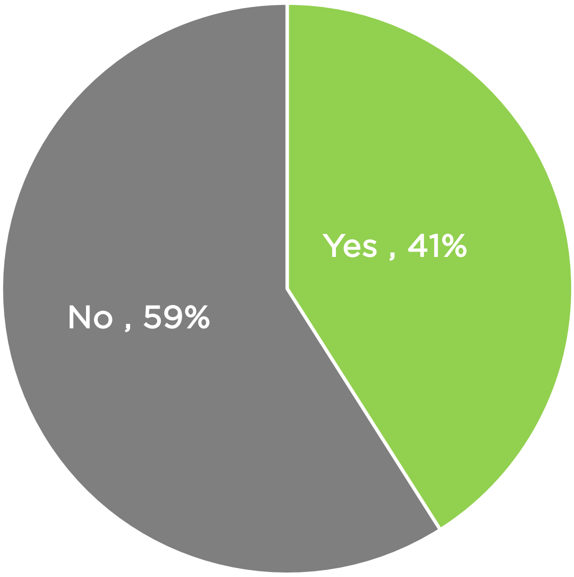
Companies developing renewable energy projects are charged levies, known as transmission charges, to pay for upgrading and maintaining the UK electricity grid. These transmission charges are calculated in relation to population sizes, meaning that developers in the North of Scotland are charged more than developers in parts of Southern England.

Q. To what extent do you agree or disagree with the following statements:

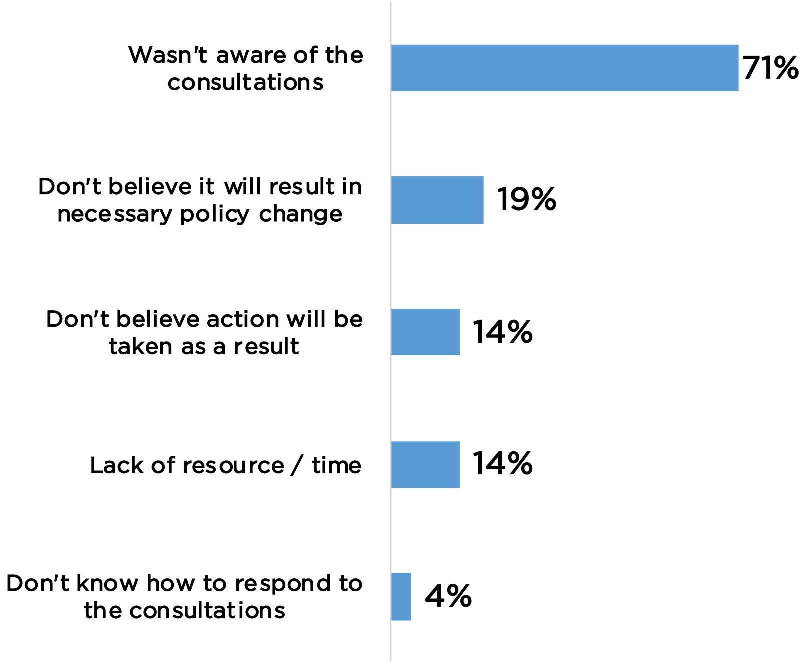


19. Almost three-fifths of organisations did not engage with UK Government energy consultations in the past year with the main reason given, perhaps surprisingly, being lack of awareness. Scepticism about their impact and time and resource constraints were other factors, particularly among SME supply chain respondents.

Q: Over the past 12 months have you responded to any UK Government consultations on the future of energy?

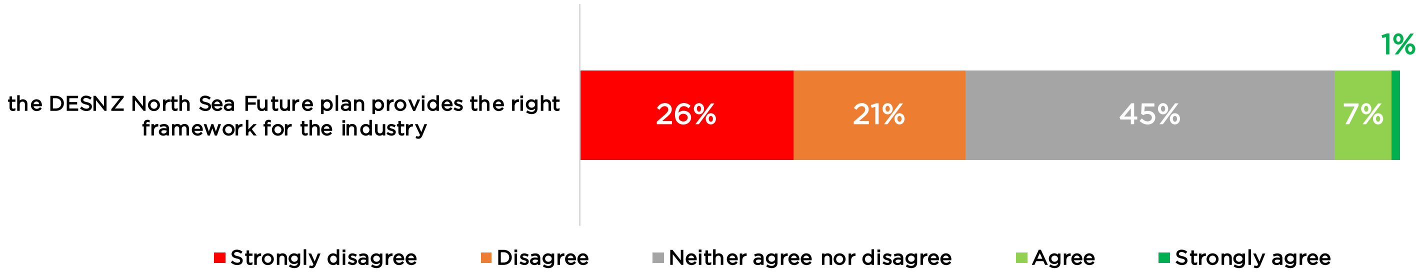


Q: Why not?



20. Just 8% of respondents agreed that the North Sea Future plan published by DESNZ in November 2025 provides the right framework for industry.

Q: To what extent do you agree that:



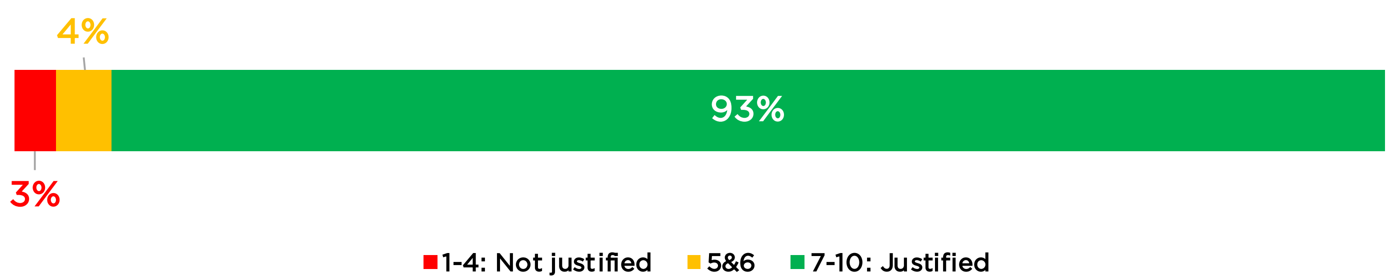
Q: Why do you say that?

Rank	Theme	Mentions	Summary
1	Support for balanced transition / continued oil & gas production	18	The most common view was that the UK should continue developing domestic oil and gas alongside renewables to protect energy security, jobs, and economic stability during the transition.
2	Criticism of government policy and leadership	16	Many respondents expressed frustration with UK Government and DESNZ policy, describing it as unrealistic, politically driven, unclear, or disconnected from industry realities.
3	Concerns about invest-ment uncertainty and industry decline	12	Respondents frequently argued that current policy uncertainty is discouraging investment, weakening confidence, and accelerating decline within the North Sea supply chain.
4	Renewables not ready to replace oil & gas	11	A strong theme was that infrastructure is not fit for purpose to enable early roll out of renewable projects at scale.
5	Energy security con-cerns	10	Many responses highlighted fears that reducing domestic oil and gas production too quickly will increase reliance on imports and weaken UK energy security.

21. There is overwhelming support for a more flexible UK Government approach to oil and gas regulation and taxation in response to current geopolitical and energy market conditions. 93% of respondents believe change is justified, while only a very small minority do not.

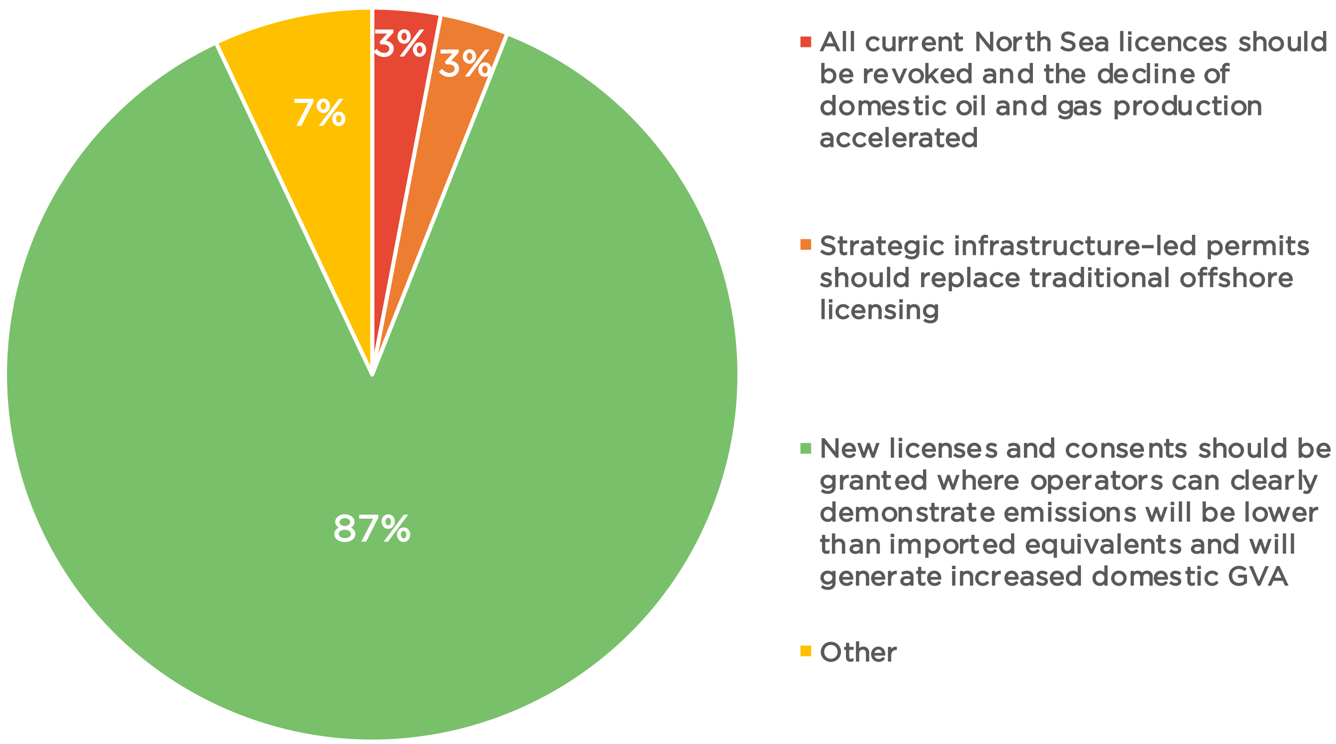
Q: On a scale of 1–10, where 1 means “not at all justified” and 10 means “entirely justified”, to what extent do you believe:

Current global geopolitical and energy market conditions justify a more flexible UK Government stance on oil and gas regulation and taxation to underpin UK energy security.



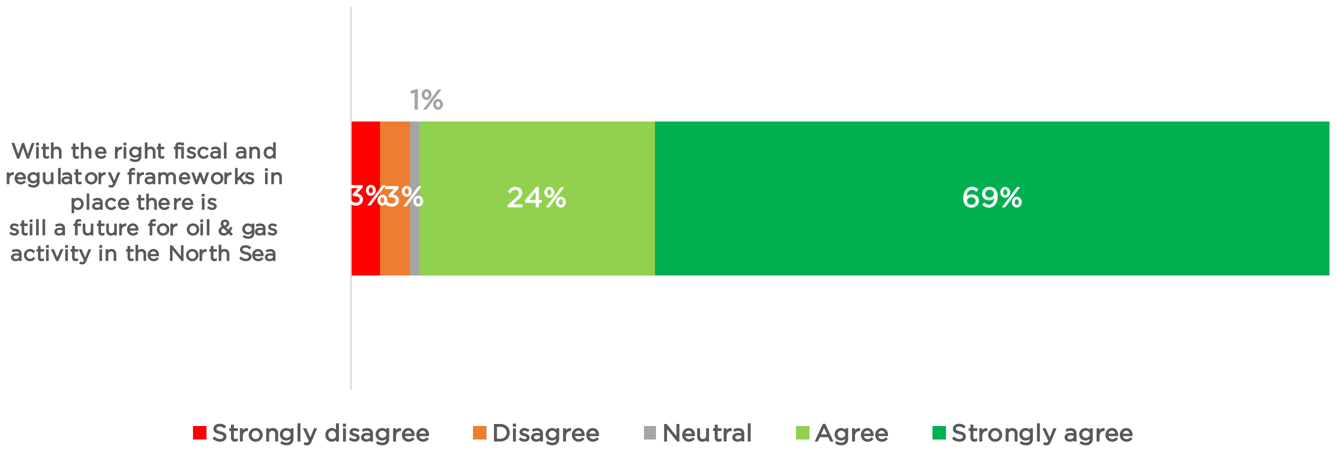
22. 87% agree that new North Sea licences and consents should be granted where operators can clearly demonstrate emissions will be lower than imported equivalents and operations will generate increased domestic investment and GVA.

Q: Which of these statements is closest to your view?



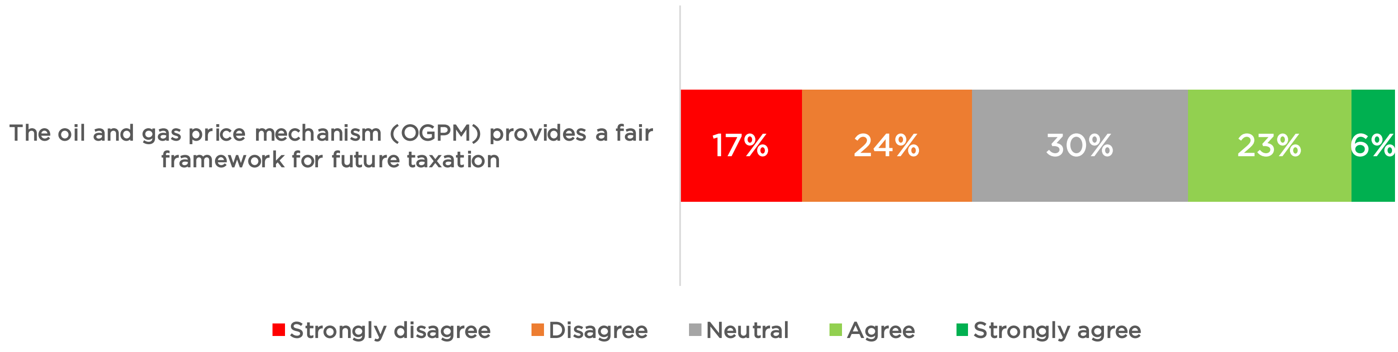
23a). It's all over?… Maybe not quite yet. There is very strong consensus that, with appropriate fiscal and regulatory frameworks, there is still a positive future for oil and gas activity in the North Sea.

Q: On a scale of Strongly Disagree to Strongly Agree please indicate your views on the following:



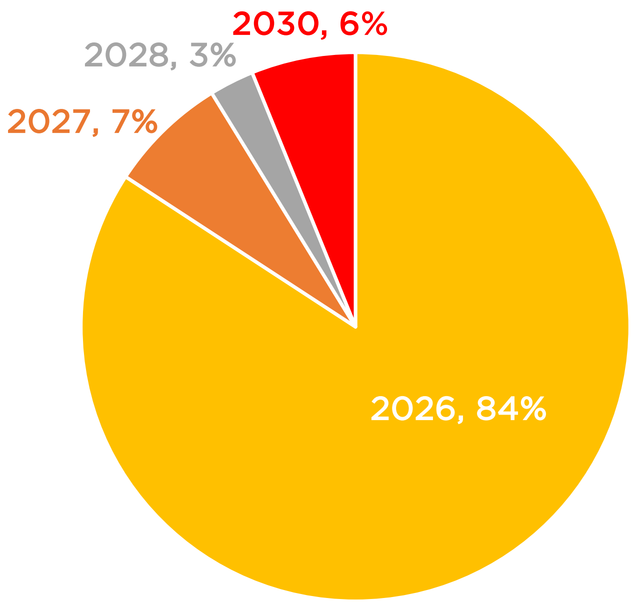
23b). Views on the future oil and gas price mechanism (OGPM) are mixed, with more respondents disagreeing that it provides a fair framework for future taxation than supporting it.

Q: On a scale of Strongly Disagree to Strongly Agree please indicate your views on the following:

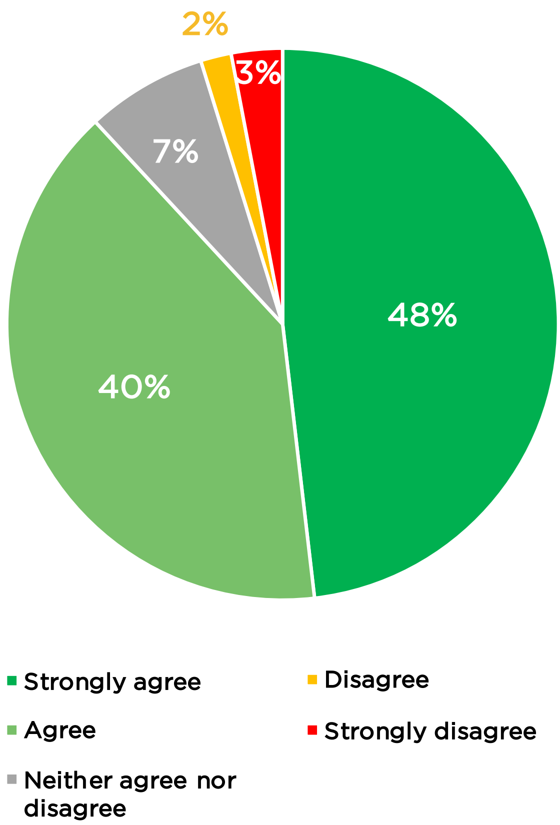


24. However, there is a strong preference for the early introduction of the OGPM, with the vast majority selecting 2026 as the appropriate timing. This is reinforced by near-universal agreement that bringing the mechanism in earlier than 2030 would unlock additional investment and activity in the North Sea.

Q: When is the right time to bring in the oil and gas price mechanism?

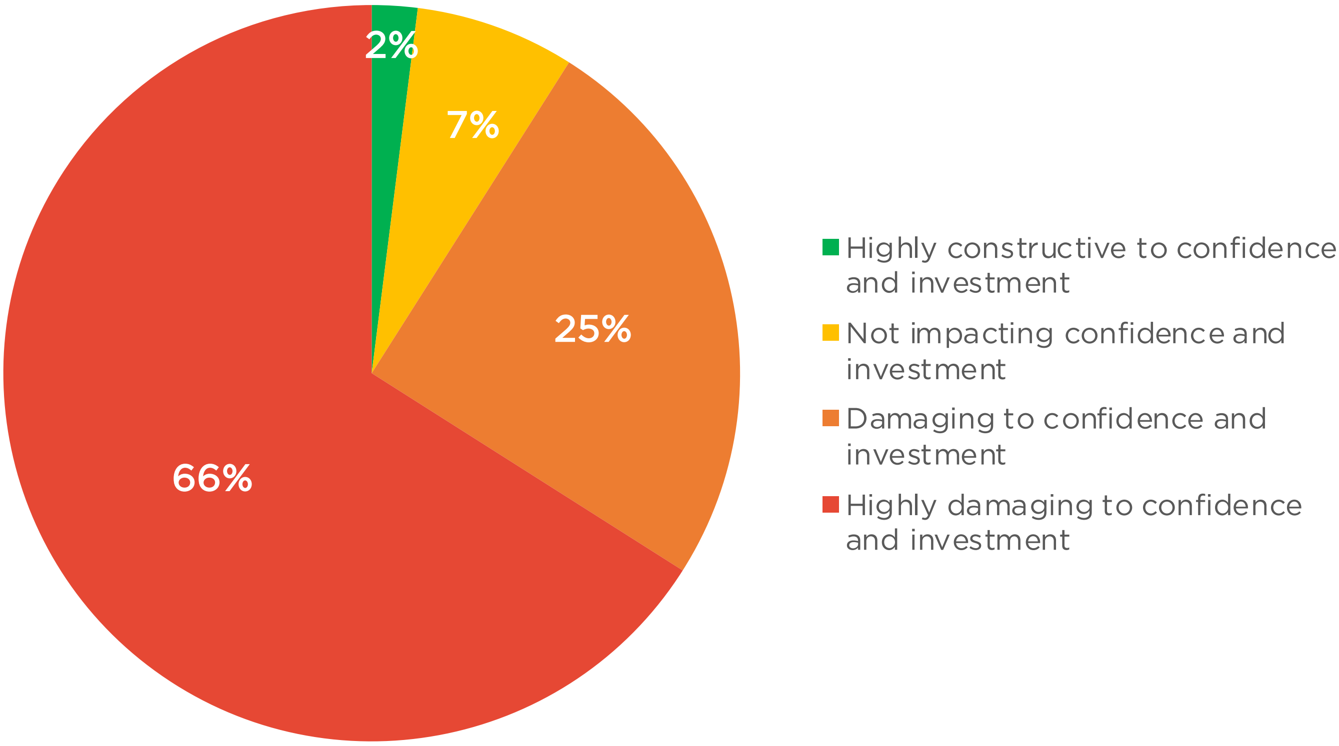


Q: Bringing the oil & gas price mechanism in earlier than 2030 would unlock additional investment and activity in the North Sea



25. Over 90% of respondents described current lack of clarity on energy policy from the Scottish Government as being damaging or highly damaging to industry confidence and investment.

Q: The continued absence of clear energy policy from Scottish Government is:

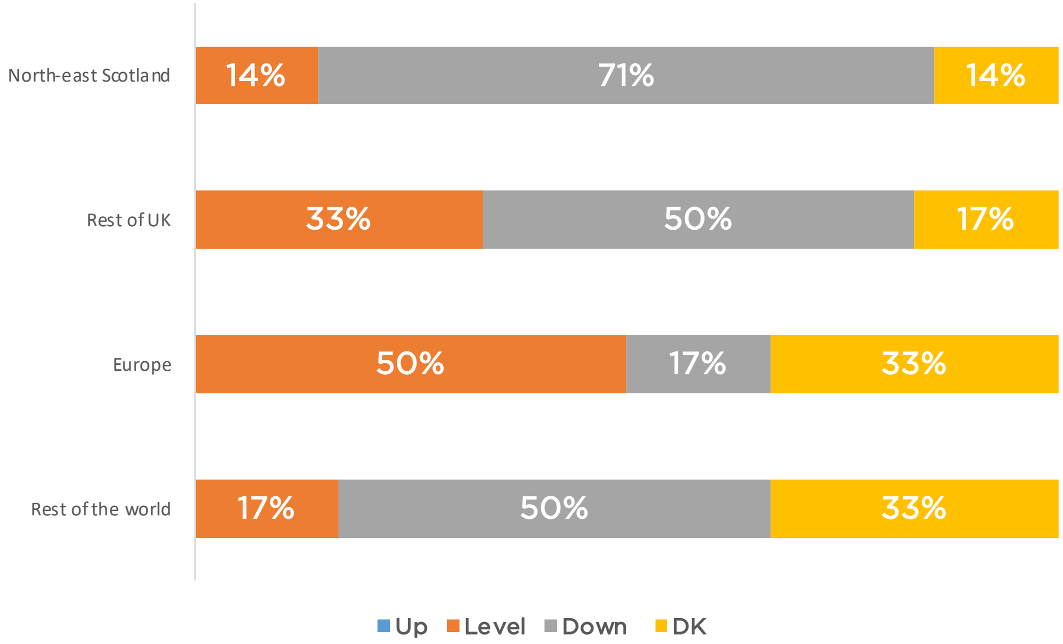


Recruitment and skills gaps talking points

- Operator respondents reported significant net reductions in headcount over the last year across all markets, but with the most negative impact on roles in the North-east of Scotland. None of them reported increases in staff numbers in any market during that time.
- Service company responses painted a slightly brighter picture reporting net increases in headcount across all regions, albeit accounting for significantly smaller numbers than for operators. The highest growth was in the Rest of the World, reinforcing the issue of talent leakage from the UK.
- Operators are forecasting further significant decreases in headcount in the North-east of Scotland over the next five years but interestingly level across operations in other parts of the UK.
- Service company respondents, again, were more bullish in forward headcount forecasting with net growth expected in all regions but with a greater emphasis outside of Europe where more opportunities exist.
- Less than half of businesses cited recruitment challenges as an issue. Where challenges were encountered, they related to a shortage of suitable skills in the UK labour market, amplified by competition for people from overseas markets. Other significant factors included security of future employment and location being unattractive.
- Respondents continue to report seeing high levels of staff leaving to work overseas. Early retirement and leaving the industry altogether are also notable factors, due to lack of future sector confidence. Movement into “new energy” roles remains relatively low both within and outside organisations.
- These results showed a small uptick in confidence at individual company level about the timescale for new energy roles to replace traditional work. At an industry level however, almost three quarters of respondents believe this will never be achieved or take more than ten years.
- Fewer than 10% of respondents are confident that, given current trends, the UK will have the skills capacity to deliver the energy transition with 40% believing it will not. Almost half think that there is still a chance but only with swift and decisive policy change. Ironically, some suggest the skills might need to be imported!

26a). Operator respondents reported significant net reductions in headcount over the last year across all markets, but with the most negative impact on roles in the North-east of Scotland. None of them reported increases in staff numbers in any market during that time.

Q. How has your head count (operators) changed over **the past 12 months** for:

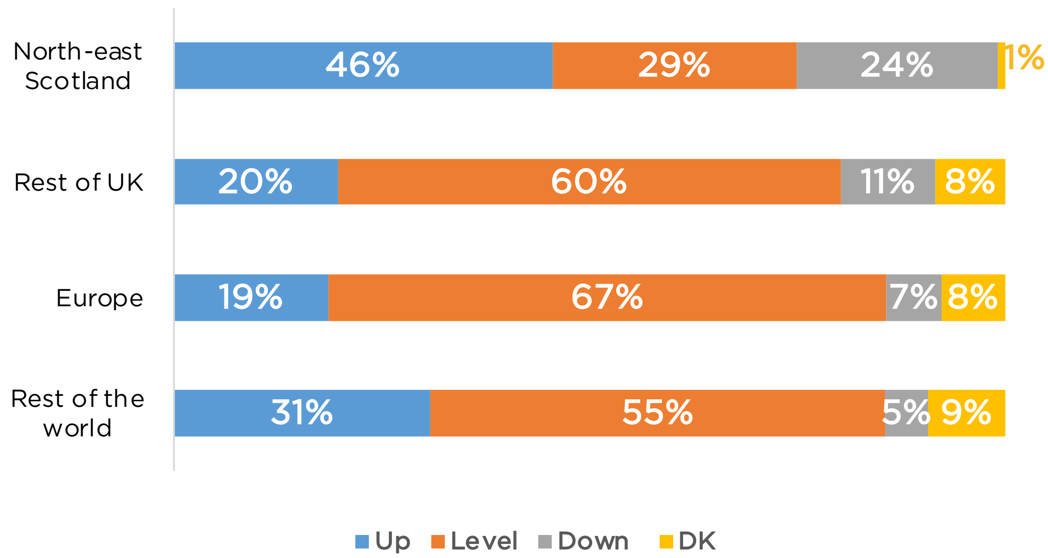


7 operators employing 128,000 people worldwide (av. 18,000)*

	Net + / -
North-east Scotland	-71%
Rest of UK	-50%
Europe	-17%
Rest of the world	-50%

26b). Service company responses painted a slightly brighter picture reporting net increases in headcount across all regions, albeit accounting for significantly smaller numbers than for operators*. The highest growth was in the Rest of the World- reinforcing the issue of talent leakage from the UK.

Q. How has your head count (service companies) changed **over the past 12 months** for:

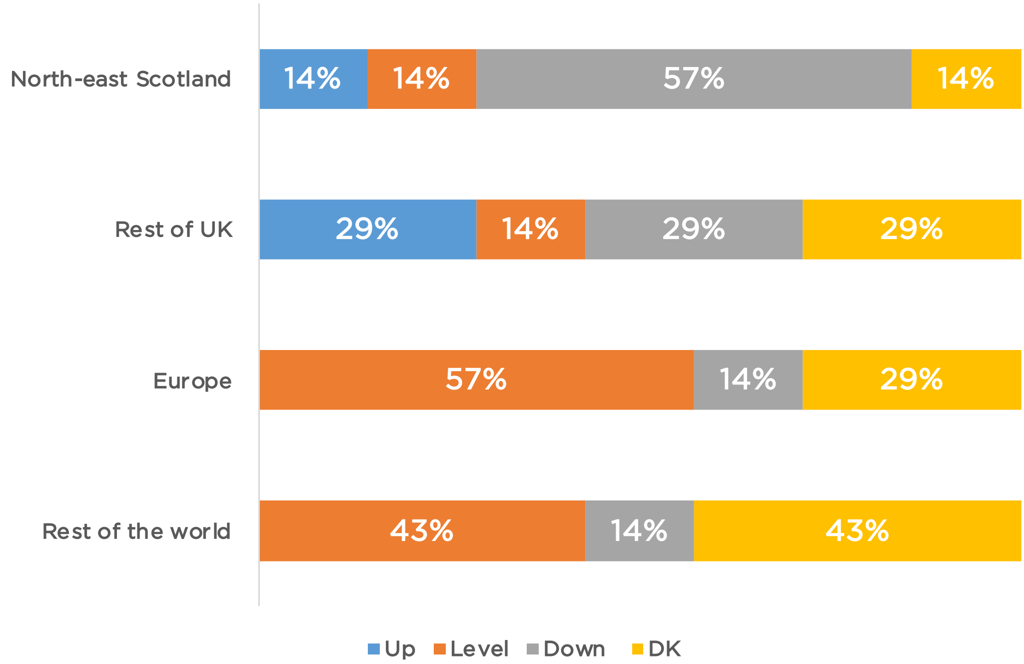


111 service companies employing 397,000 people worldwide (av. 3,600)*

	Net + / -
North-east Scotland	+21%
Rest of UK	+8%
Europe	+12%
Rest of the world	+26%

27a). Operators are forecasting further significant decreases in headcount in the North-east of Scotland over the next five years but interestingly level across operations in other parts of the UK.

Q: How do you expect your head count (operators) to change over **the next 5 years** for:

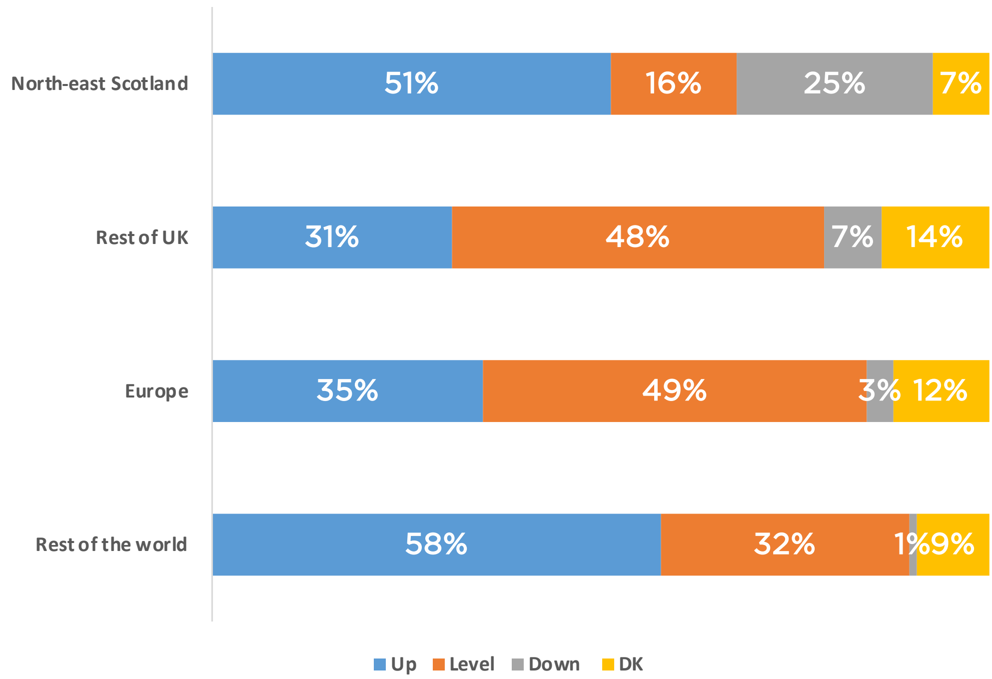


7 operators employing 128,000 people worldwide (av. 18,000)

	Net + / -
North-east Scotland	-43%
Rest of UK	0%
Europe	-14%
Rest of the world	-14%

27b). Service company respondents, again, were more bullish in forward headcount forecasting with net growth expected in all regions but with a greater emphasis outside of Europe where more opportunities exist.

Q: How do you expect your head count (service companies) to change over **the next 5 years** for:

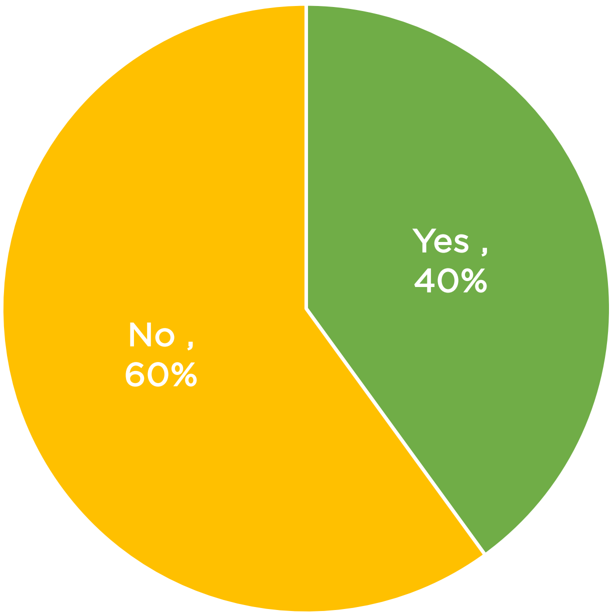


111 service companies employing 397,000 people worldwide (av. 3,600)*

	Net + / -
North-east Scotland	+26%
Rest of UK	+23%
Europe	+31%
Rest of the world	+57%

28. Less than half of businesses cited recruitment challenges as an issue. Where challenges were encountered, they related to a shortage of suitable skills in the UK labour market, amplified by competition for people from overseas markets. Other significant factors included security of future employment and location being unattractive.

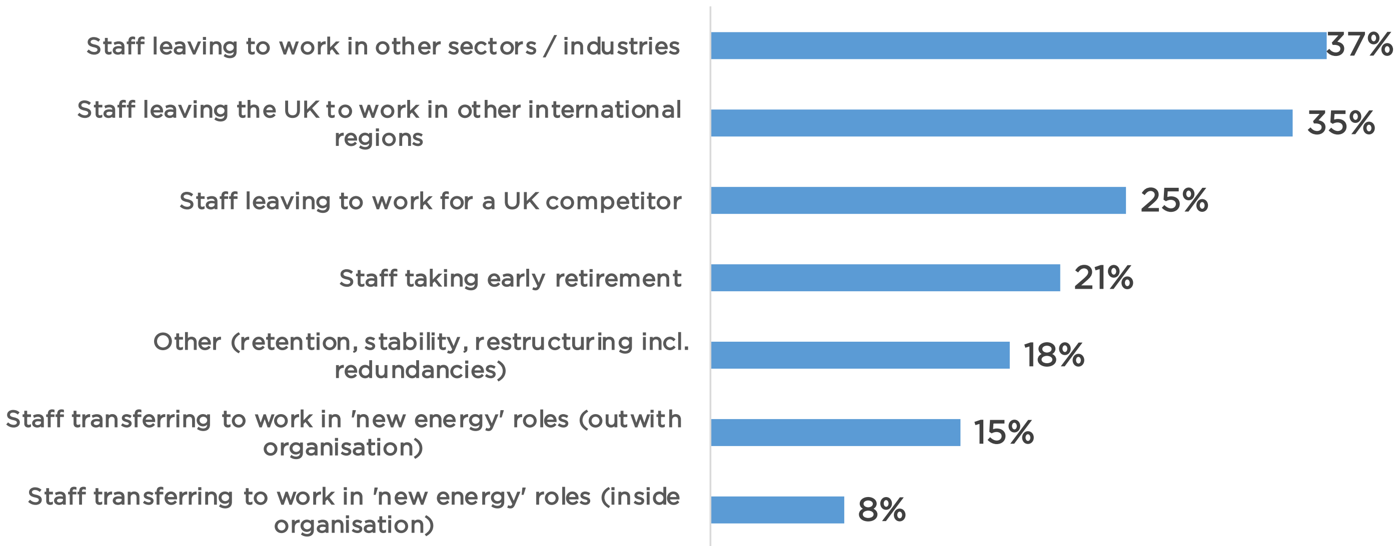
Q: Have you experienced any difficulties in recruiting any of the following roles in the past 12 months?



Q: What are the main reasons for difficulty recruiting staff?

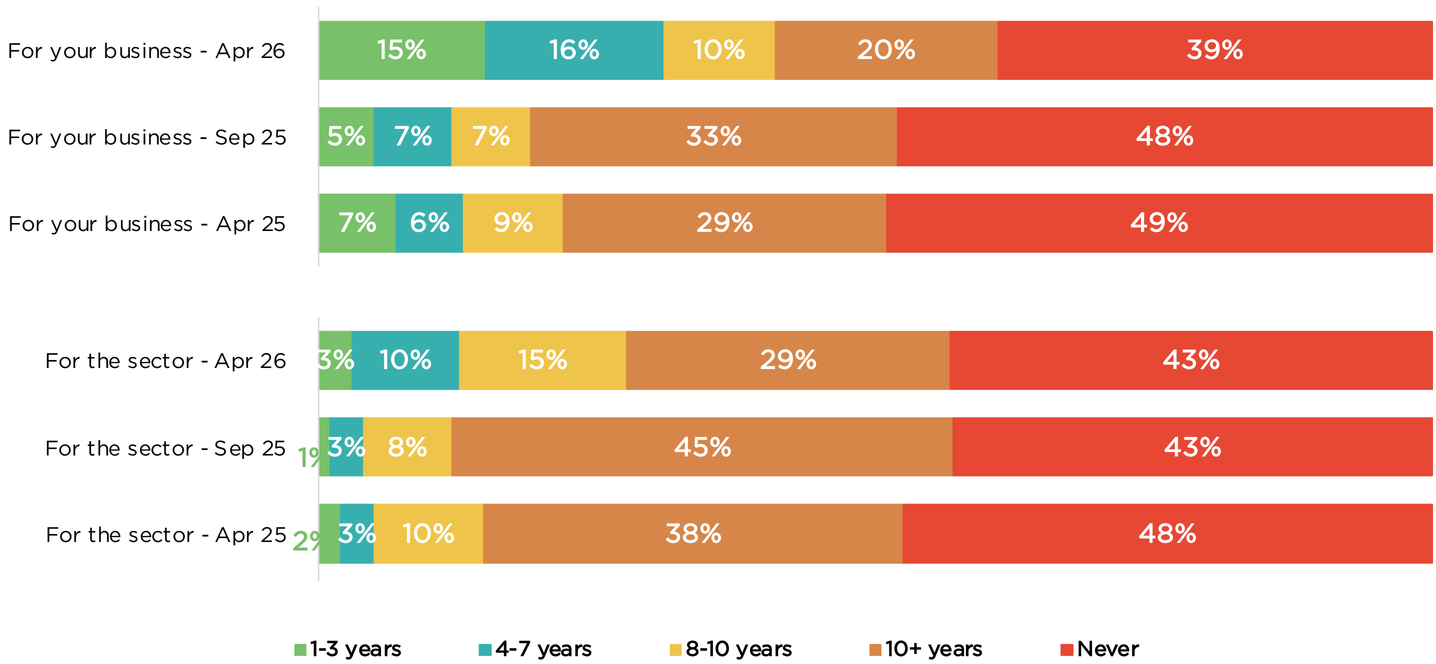
29. Respondents continue to report seeing high levels of staff leaving to work overseas. Early retirement and leaving the industry altogether are also notable factors, due to lack of future sector confidence. Movement into "new energy" roles remains relatively low both within and outside organisations.

Q: Which of the following are true of your current workforce trends?



30a). These results showed a small uptick in confidence at individual company level about the timescale for new energy roles to replace traditional work. At an industry level however, almost three quarters of respondents believe this will never be achieved or take more than ten years.

Q: How long do you estimate it will take for new energy job growth to fully replace lost oil and gas jobs?



30b). When asked why they believed this, respondents cited new energy activity as less labour intensive with lower volumes of long-term operational roles. Frustration with the pace and direction of government policy was also a key factor, highlighting the growing mismatch between the accelerated decline of domestic oil & gas activity alongside delays in the development of replacement industries.

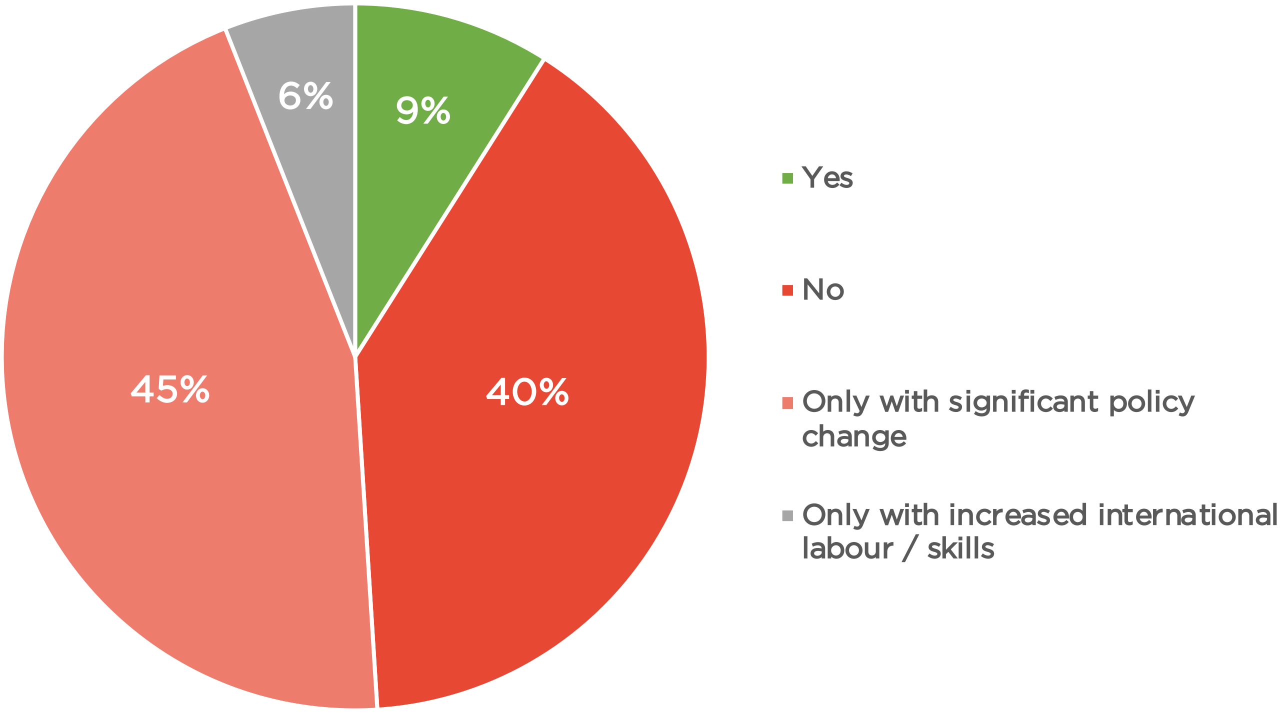
Q: What makes you say that?

Rank	Theme	Mentions	Summary
1	New energy creates fewer jobs than oil & gas	22	The dominant theme is that renewables and low-carbon sectors are significantly less labour intensive than oil & gas, particularly in operations, maintenance, and supply chain activity. Many believe replacement jobs will be only a fraction of existing employment levels.
2	Transition is too slow / delayed	12	Respondents repeatedly highlight long project timelines, slow investment cycles, planning delays, and the lag between oil & gas decline and new energy growth.
3	Policy and government concerns	11	Many criticise UK and Scottish Government energy policy, describing it as unclear, unsupportive, poorly managed, or damaging to investor confidence and the supply chain.
4	Skills transfer challenges	10	Respondents question the assumption that oil & gas skills are easily transferable, noting retraining needs, different technologies, and mismatches between sectors.
5	Oil & gas demand will continue	8	Several respondents argue that oil & gas will remain essential globally for decades, meaning the sector will continue to play a major economic role.
6	Supply chain and economic impacts	8	Concerns that UK companies are losing work internationally, skilled workers are leaving the sector, and the wider North-east economy will suffer from reduced high-value activity.
7	Renewables seen as lower value / lower pay	7	Some believe new energy roles will offer lower salaries, less stability, and reduced economic value compared to traditional oil & gas employment.
8	Infrastructure and technology immaturity	6	Respondents note that sectors such as hydrogen, CCS, and offshore wind are still developing, uncertain, or lack sufficient infrastructure to support large-scale employment.
9	Need for diversification beyond energy	4	A smaller group state their businesses will need to diversify into other industrial sectors because energy transition opportunities alone will not sustain current business models.
10	Calls for a gradual / managed transition	4	Some argue that transition should happen more slowly and organically to avoid damaging the workforce and supply chain.

Given the limited sample size (64), these trends should be interpreted as useful qualitative signals rather than definitive conclusions, and descriptive analysis and context are more valuable than rigorous statistical inference.

31. Fewer than 10% of respondents are confident that, given current trends, the UK will have the skills capacity to deliver the energy transition with 40% believing it will not. Almost half think that there is still a chance but only with swift and decisive policy change. Ironically, some suggest the skills might need to be imported!

Q: If current trends continue, do you believe the UK will have sufficient skills capacity to deliver its energy transition ambitions?



AGCC viewpoint and recommendations

Level the playing field between North Sea production and LNG imports

Businesses responding to Energy Transition 43 continue to express frustration that UK policy increasingly disadvantages domestic production while simultaneously increasing reliance on imported hydrocarbons. There was strong support throughout the survey for continued domestic oil and gas production – and consent for new projects - where operators can demonstrate lower emissions than imported alternatives and deliver greater economic value to the UK.

In many cases, imported LNG carries higher lifecycle emissions, longer transportation supply chains and lower domestic economic benefit than UK-produced energy. At the same time, North Sea operators continue to face a significantly more challenging fiscal and regulatory environment than imported supply.

The Chamber believes government should establish a genuinely level playing field between domestic production and LNG imports through a more balanced and consistent approach to lifecycle emissions, taxation and energy security. A successful energy transition must recognise both climate objectives and the importance of maintaining domestic industrial capability, jobs and secure energy supply.

Replace the Energy Profits Levy (EPL) with an internationally competitive successor regime in 2026

Respondents continue to identify fiscal instability and policy uncertainty as the single biggest barriers to investment in the UK Continental Shelf. While confidence in international markets remains strongly positive, confidence in the UKCS remains historically weak. Companies continue to redirect investment, people, vessels and capability towards regions where governments are viewed as more stable and predictable long-term partners.

The Chamber believes the UK Government should accelerate implementation of the Oil & Gas Price Mechanism (OGPM) significantly ahead of the current 2030 timetable. North Sea operators have told the UK Government they are prepared to invest £17.5 billion into new domestic oil and gas projects under these circumstances, protecting jobs and unlocking the equivalent of 1.1 billion barrels of oil and gas by 2030, strengthening energy security.

Reform Transmission Network Use of System (TNUoS) charging

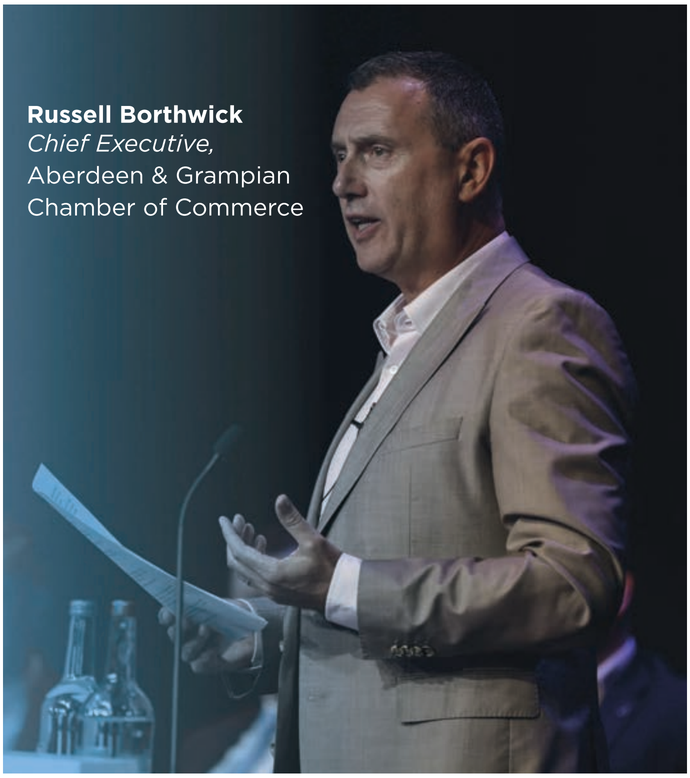
This survey reinforces growing industry concern that the current transmission charging regime is undermining Scotland's renewable energy opportunity. Businesses repeatedly identified transmission charging, grid capacity and consenting delays as major barriers preventing offshore wind and wider electrification projects from progressing at the pace required.

High and volatile TNUoS charges continue to weaken the commercial case for renewable energy investment in the North-east of Scotland despite the region possessing some of Europe's strongest renewable resources. Without reform, there is a growing risk that project delays and infrastructure constraints will widen the gap between declining traditional activity and the pace of new energy deployment. The Chamber believes urgent reform is required to improve long-term investment certainty, accelerate offshore wind deployment, support industrial electrification and unlock long-term supply chain opportunities across Scotland.

Accelerate planning, consenting and grid delivery

The survey findings demonstrate that one of the biggest constraints on transition progress is no longer ambition, but delivery. Respondents consistently identified planning delays, consenting complexity and grid infrastructure bottlenecks as key barriers preventing investment from moving at pace.

Businesses continue to support offshore wind, decarbonisation and wider transition projects, but many believe the systems required to deliver those projects are no longer operating efficiently enough. The Chamber believes governments and regulators must urgently streamline consenting processes, accelerate strategic grid investment, reduce delays for nationally significant infrastructure and improve coordination between planners, regulators and network operators. The UK cannot deliver transition ambitions at scale without modernising the infrastructure and regulatory systems needed to support major energy projects.


Russell Borthwick
Chief Executive,
Aberdeen & Grampian
Chamber of Commerce

About the survey

The 43rd AGCC Energy Transition (previously Oil & Gas) survey is supported by leading business advisory firm Johnston Carmichael and the clean energy group D2Zero. This year's survey took place with the backdrop of a Middle East conflict, highly dynamic geo-political landscape and a challenging policy environment.

The report has become established as a vital source of industry intelligence for businesses, policy makers and the media and the feedback gathered is instrumental in ensuring that the industry's voice is heard, enabling us to set out the practical challenges faced by the sector and ensure the necessary policy changes are secured.

Research approach

The online survey was updated with partner input to reflect the current environment and was live between 26 March and 24 April 2026. Direct approaches were made to previous respondents, Chamber energy networks, and other trade bodies, with follow-up telephone calls to key contacts. The survey was also promoted more widely through Chamber news channels and other media.

A total of 121 organisations, including 7 operators, fully completed the survey (with a further 10 partial responses). Collectively, respondents employ over 72,000 people in the UK and 430,000 people globally. The research was managed by Research Chamber, the Chamber's in-house commercial research team at Aberdeen & Grampian Chamber of Commerce.

Thank you

The Research Chamber/Aberdeen & Grampian Chamber of Commerce would like to thank all energy businesses who responded to this survey. Without your input, we could not have delivered this research. Your continued support is invaluable to us in meeting our commitment to bring you independent and impartial insights into the key issues facing your business and the wider sector.

We would also like to thank our partners, Johnston Carmichael and clean energy group D2Zero for their support of this strategically important research work, helping the sector's voice be heard.

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Contact us at **research@agcc.co.uk**