



Department for Energy Security & Net Zero

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Department for Energy Security & Net Zero
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Russell Borthwick
Chief Executive
Aberdeen & Grampian Chamber of Commerce

Our ref: MCB2026/00906

10 February 2026

Dear Mr Borthwick,

Thank you for your letter of 21 January to the Secretary of State setting out the Aberdeen and Grampian Chamber of Commerce's concerns regarding the direction of UK energy policy, energy security, and the future of domestic oil and gas production. I am responding as this matter falls under my Ministerial portfolio.

Following Russia's illegal invasion of Ukraine, the UK banned the import of Russian oil and oil products. In October 2025, the UK announced that imports of oil products refined in third countries from Russian-origin crude would also be banned, as part of wider sanctions designed to restrict President Putin's ability to fund his war in Ukraine. Our assessment is that the volumes of oil in scope are relatively small and do not pose a risk to UK security of supply.

North Sea oil and gas output is in natural decline, with a 75 per cent reduction between 1999 and 2024. Given the basin's maturity, further licensing would not reverse this decline or change the UK's status as a net importer. The Government is committed to managing the North Sea in a fair, orderly, and prosperous transition, while recognising that domestic oil and gas will continue to play a role for decades. Our plan will protect current jobs and secure the next generation of good jobs by investing in clean energy technologies to future-proof the basin.

As part of this approach, the Government is introducing Transitional Energy Certificates (TECs) to enable production in areas adjacent to existing licensed fields, including through tiebacks. TECs will help ensure these assets remain economically viable and are managed for their full lifespan, supporting workers, supply chains, and communities, particularly in North East Scotland and the North East of England.

The Government is also taking a responsible and proportionate approach to taxation. We recognise the ongoing role of the oil and gas industry and its workforce, while ensuring the sector contributes fairly to the public finances. The oil and gas sector is forecast to raise around £10.2 billion in tax receipts between 2025/26 and 2030/31, with revenues supporting vital public services.

At Budget 2025, the Government announced that a new Oil and Gas Price Mechanism (OGPM) will replace the Energy Profits Levy (EPL) when it ends in March 2030, or earlier if the EPL's price floor is triggered. The OGPM will adopt a revenue-based approach, delivering a fair return when prices are unusually high. The Government will continue engagement with industry on draft legislation and implementation of the OGPM to ensure the regime is ready and to consider potential impacts of an early end to the EPL due to falling prices. This gives

the sector the certainty and predictability necessary for investment, while paying a fair share on excess profits.

While oil and gas remain part of the transition, public and private investment in cleaner energy is also vital. The Government retained 100 per cent first-year allowances under the EPL at Autumn Budget 2024, helping protect investment and jobs. The sector continues to benefit from £84.25 relief for every £100 of private investment, with additional relief for decarbonisation. When the temporary EPL ends, the regime will return to 40 per cent alongside the OGPM, which applies only when prices are unusually high.

The Government is committed to partnering with business and workers to manage existing fields for the entirety of their lifespan, supported by a skilled workforce and healthy supply chain. The North Sea Future Plan, published alongside the Budget, supports workers, supply chains, and communities, particularly in North East Scotland and the North East of England. The Government has also announced a Jobs Brokerage Service providing career transition support, building on the Energy Skills Passport and up to £20 million of funding from the UK and Scottish Governments for the Transition Training Fund.

Licences to explore new oil and gas fields are separate from development consents for projects in licensed fields such as Jackdaw and Rosebank. The Offshore Petroleum Regulator for Environment and Decommissioning (OPRED) has received further information from developers, which has been published and subject to public consultation. As these are subject to live regulatory processes, it would not be appropriate to comment further.

Finally, the Government recognises the importance of the downstream oil sector and the role of the UK's refineries in supporting energy security and industrial resilience. We remain committed to a long-term future for the sector and will continue engagement with industry and trade unions. The Government will shortly launch a call for evidence to inform a long-term strategy for downstream oil, including consideration of competitiveness, energy security risks and the support needed to deliver a managed transition.

Best wishes,

A handwritten signature in black ink, appearing to read 'Michael Shanks', followed by a period. The signature is fluid and cursive.

MICHAEL SHANKS MP
Minister of State for Energy