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BUSINESS

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City firm in talks with oil majors to buy up assets

Energy: Busiest year for Parkmead

BY MARK LAMMEY

Bosses at Aberdeen-based Parkmead Group have been "spending a lot of time" talking to oil majors about potential acquisitions.

Executive chairman Tom Cross said yesterday Parkmead was looking to expand its portfolio "all the time" and he hailed the company's last financial year as its busiest ever.

The London-listed firm ceased oil production from its Athena field in the Outer Moray Firth in January when it became clear crude prices would remain low.

Since then, Parkmead's revenue has come from its onshore gas fields in the Netherlands, which have a low average operating cost of $14 per barrel.

Mr Cross said: "If you've got the choice, it makes sense not to produce oil when the price is on the slide. Some companies have to produce oil even at a loss if they are sitting on debt, because banks want to see cash flow, but we are debt-free."

He added the Athena shut-in would continue while Parkmead looks at ways of incorporating the field into its Perth area cluster, one of the largest undeveloped oil projects in the North Sea.

> "We are talking to several major companies"

And he said Parkmead was "right in the middle of engineering talks" to bring together the various fields that make up the area.

Suspending oil production and ramping up gas output helped Parkmead narrow pre-tax losses to £6.4million in 12 months to June 30, from £30.8million the previous year.

But the oil price rout dented revenue, which slipped to £10.4million from £18.6million.

Cash balances sat at £28.3million at June 30.

Parkmead has announced two North Sea deals since then.

In September, the company said it had increased its share of the Perth and Dolphin fields to 60.05% from 52.03%. A month earlier, it raised its stakes in the Polecat and Marten fields from 50% to 100%.

The spending spree is unlikely to stop there – Mr Cross said Parkmead's main stomping ground would continue to be the UK and Netherlands, describing them as the "most productive areas".

He said Parkmead was an "ideal counter-party" for major oil companies with divestment programmes, like Shell and BP, adding: "We are known to governments and have a strong track record of success in managing large assets.

"We are talking to several major companies about their divestment programmes."

Analysts at Cantor Fitzgerald said: "Parkmead's financials are broadly in line with our forecasts, with the company being cash-flow positive on an operating basis since January 2016."

POSITIVE: Parkmead Group boss Tom Cross says the firm is looking to expand

Renewable energy could 'grow 500% in 20 years'

REPORT

BY KEITH FINDLAY

Scottish energy consultancy Wood Mackenzie (WoodMac) says renewable energy could grow nearly 500% globally over the next 20 years, with coal and oil demand peaking well before 2035.

The forecasts are in a new report – Fossil fuels to low-carbon: The majors' energy transition – identifying three main risks facing the world's biggest oil and gas companies.

According to Edinburgh-based WoodMac, these are the growth of renewable-energy, intensifying government policy and increasing low-carbon competition.

The report says natural gas and zero-carbon fuels will satisfy at least 60% of the rise in global energy demand to 2035, while under some scenarios renewable-energy could grow nearly 500%. As global demand for oil slows and energy growth shifts to lower carbon fuels, renewables will grow rapidly, it adds.

> "How much risk each has taken into account"

Yesterday, WoodMac global trends research director Paul McConnell said: "As carbon policy intensifies, the oil and gas majors will face more regulatory burden and are likely to face increasing costs. Green financing could also mean higher cost of capital for more carbon-intensive oil assets, such as oil sands, as investors shift to alternative fuels."

He added: "While all the major oil companies put a price on carbon in their long-term planning, the big question is how much risk each has taken into account. As costs for renewables and energy storage continue to fall, subscription-type services could open up new low-carbon growth markets. For example, electric car sharing."

WoodMac's report says up to 50% of majors' production could be hit with carbon costs over the next decade.

ENERGY

No one should be cold – SSE

Scottish utility SSE said yesterday it was to freeze household energy prices until at least April 2017.

SSE – whose businesses include Scottish Hydro Electric – said it was working to "keep prices as low as possible for as long as possible" for customers, having cut prices three times since March 2014.

The Perth-based firm's last price freeze lasted two-and-a-half years but was lifted in July.

SSE retail managing director Will Morris said: "No one should be faced with the prospect of a cold home.

> "Anyone who is concerned should let us know"

"As well as keeping prices lower for longer, there's lots more we can do to help – whether it's energy-efficiency advice, a tariff review, financial assistance or simply a manageable payment plan – so I'd encourage anyone who is concerned to let us know so we can assist."

A report recently accused Britain's Big Six energy firms of overcharging families and making six times the profits they admit.

SSE's price freeze comes as it faces further pressure.

The energy giant posted a 13% drop in profits to £475.8million in the half year to September 30, following weak performance across the business.

It lost 70,000 energy customers in the UK and Ireland over the period.