The Press and Journal Thursday, September 15, 2016

BUSINESS

Job losses go into slowdown in north-east P40

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Parkmead prepares to Shell out

Investment: Firm could buy North Sea assets from oil major's divestment programme

BY MARK LAMMEY

The boss at Parkmead Group said yesterday that the company was interested in North Sea assets that form part of Shell's divestment plans.

Tom Cross, Parkmead's chief executive and biggest shareholder, said the firm had "good relations" with oil majors and pointed out that his previous business venture, Dana Petroleum, had bought North Sea assets from Shell.

"We are buying strategically important reserves"

Shell is trying to raise $30billion (£22.7billion) through a three-year divestment programme to help balance the books after its takeover of BG Group.

Tom Cross

Mr Cross said investors and banks were ready to back Aberdeen-based Parkmead to the hilt if the right acquisition opportunities came up, whether at Shell or elsewhere.

Parkmead is thought to have a sizeable war chest at its disposal.

Mr Cross said Parkmead was prepared to pay up to $100million per transaction – calling upon a mix of cash reserves and debt – but could go even higher when negotiating for a cluster of assets.

He said there were three strands to Parkmead's expansion strategy. The firm either looks to buy from oil majors who want to divest "smaller" assets, or from rivals in financial trouble.

Parkmead also has a track record of gradually beefing up its stakes in fields it has already invested in.

The company demonstrated this yesterday when it announced an increase in its share of two North Sea fields to 60.05% from 52.03% – with struggling Atlantic Petroleum reducing its stake.

In May, Atlantic, a Faroese oil and gas explorer, confirmed plans to offload its entire UK North Sea portfolio in the face of low crude prices.

SEA CHANGE: Parkmead is believed to have built up a sizeable war chest in readiness to buy up North Sea assets

At the time, Atlantic boss Ben Arabo said the firm was switching its attention to projects in Eastern Europe and Eurasia.

Mr Cross said his team at Parkmead was "excited" about the recent equity increases in the Perth and Dolphin fields in the Moray Firth area, a move which saw the firm's shares jump 10.91% to 54.62p on the London Stock Exchange.

The two fields are at the centre of Parkmead's Perth-Dolphin-Lowlander (PDL) project.

PDL is one of the largest sets of undeveloped oil assets in the North Sea, with estimated recoverable reserves of more than 80million barrels.

Last month, Parkmead boosted its stakes in the nearby Polecat and Marten fields from 50% to 100%.

Mr Cross said yesterday: "We've been building our stake in a number of fields in this area. While oil is at a low point, we are buying strategically important reserves at low cost. We are going to be well-positioned to exploit the situation as things improve."

He added: "PDL is going to be a very important project further down the road. As we have control of PDL, we can bring in larger partners for financing."

Commenting on the Perth and Dolphin stake increases, finnCap analyst Dougie Youngson said: "We view this acquisition positively and hope that it signals a step towards moving this project into development. We maintain our buy recommendation and our 80p target price."

Output rises as oil and gas value hits record low

NORTH SEA

BY ERIKKA ASKELAND AND KATRINE BUSSEY

The value of Scottish North Sea oil and gas has slumped by almost a quarter to reach the lowest total recorded since 1999, new figures have revealed.

Despite a 21.4% increase in oil and gas production in 2015-16, Scottish Government statistics showed provisional sales income fell by £4.1billion to £13.4billion.

That represents a drop of more than £10billion from two years ago, with sales income in 2013-14 amounting to £23.8billion, and compares to a high point of £29.5billion in 2008-09.

The drop in sales value is due to "sustained low prices" for oil and gas, the Scottish Government said, with prices having dropped to below $50 (£37) a barrel, compared to the high point in July 2008 of $147 (£111).

Scotland produced an estimated 70million tonnes of oil equivalent (mtoe) last year, up from 57.7 mtoe in 2014-15.

While oil and gas fields in Scotland accounted for almost all (96%) of the UK's crude oil and natural gas production, the volume produced is half the level it was in 2004-05 and well below the 184.6 mtoe recorded in 1999-2000, when statistics began.

Investment in oil and gas also fell, with capital expenditure in Scottish waters dropping by 17.6% over the year to an estimated £10.2billion in 2015-16. Operating expenditure, which covers running costs, was down 6.7% to £6.8billion.

"Encouraging to note increase in production"

Adam Davey, market and intelligence manager for trade body Oil & Gas UK (OGUK), said the increase in output was due to record levels of investment in the basin before the oil price crash.

"The production increase we can see from today's figures is the result of not only the hard work industry has done to improve efficiency, but also the massive boost of investment we have seen in recent years, which peaked at a record £14.8billion of capital investment in 2014."

Economy Secretary Keith Brown said: "Although this remains a difficult time for the industry and its workforce, it is encouraging to note this increase in production as the industry adapts to the current period of low prices."

He insisted the North Sea oil and gas industry could continue to "have a bright future for years to come". Mr Brown said: "The UK Government retains control of the main economic and tax levers affecting the North Sea oil industry, though the Scottish Government continues to do all that it can to support the industry".