



OESG

The crucial role of SMEs in making shale gas, and other forms of energy extraction, a British success story





We are the trade association that exists to advance the interests of British SMEs in the supply chain that supports onshore oil and gas.

There are three key reasons why small companies can and must play a big role in making shale gas, and other forms of energy extraction, a British success story.

Firstly, job creation. Smaller companies are more likely to recruit and train new people in order to grow and meet increased demand for their products and services.

Secondly, cost. For onshore oil and gas to be commercially viable, well costs need to be kept to a minimum. SMEs offer all the right capabilities but with greater flexibility and lower overall costs.

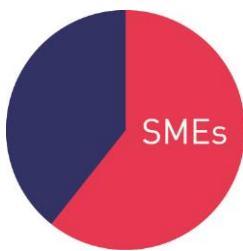
Thirdly, tax revenues. Smaller British companies, that pay their taxes in Britain, will contribute more to the Exchequer than overseas companies or large British businesses with complex tax structures.

Britain is a nation of small companies

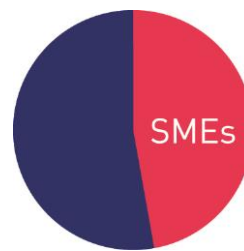
According to the most recent Government statistics, **over 99% of British businesses are SMEs** (Small and Medium-sized Enterprises).

Between them, SMEs are responsible for **59% of all jobs** and **48% of total turnover**, making them crucial to the UK economy.

Their prevalence means that most people will know someone that either owns, runs or works in an SME.



Jobs



Sales

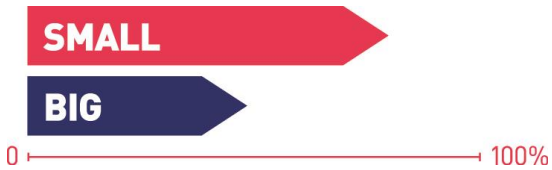
A British shale gas supply chain, comprising mostly of SMEs, could one day be worth more than £18 billion and support over 35,000 jobs

SMEs are crucial to the success of shale gas, and other forms of energy extraction, in Britain

Without the right support, small companies could be edged out by larger, multinational rivals

The British public trusts small businesses

According to the latest Edelman Global Trust Barometer, conducted in 2013, **78% of Britons trust small businesses** with just 48% of people saying they trust big businesses.



This is important in the context of public acceptance for onshore oil and gas, because supply chain SMEs are more likely to be based in the communities where activity is taking place than are operators and their investors.

The aerospace analogy

Britain has a booming aerospace industry, which includes big names like Airbus and BAE Systems.

But scratch the surface, and you find that our aerospace sector is actually a largely SME success story.



According to the Government, **UK aerospace SMEs accounted for 55% of total civil aerospace sales across Europe** in 2010.

An SME supply chain has just as much to offer the onshore oil and gas industry.

There is already an established SME supply chain ready to support British shale gas extraction

Britain already boasts a ready-made and experienced supply chain.

Made up mostly of SMEs, many of which are based in areas where exploration and production is taking place, it includes companies with onshore drilling expertise, planning and permitting know-how, well design and completions expertise, baseline and operational environmental monitoring, drilling fluid supply, extractive waste management, wireline logging and grid connection capabilities amongst many others.



Britain's highly innovative shale gas SMEs have the capabilities to deliver, whilst remaining nimble, flexible and cost-competitive because of their typically flatter structures and lower overheads.

The scale of opportunity for SMEs, and the Exchequer, is significant

A report by consultants EY, launched in April 2014, suggests that a mature UK shale gas supply chain could one day be worth £33 billion and employ over 64,000 people.

If they were to replicate the success of small companies in the aerospace industry, claiming 55% of the prize predicted by EY, onshore oil and gas **supply chain SMEs could one day be responsible for over 35,000 jobs and £18 billion in spend.**

Small British companies, that pay their taxes in Britain whilst employing British people that are also taxed here, will contribute much more to the Exchequer than overseas companies that have to import their workers, and perhaps more even than larger UK companies that have the capabilities to shift some of their tax burden to lower tax jurisdictions.



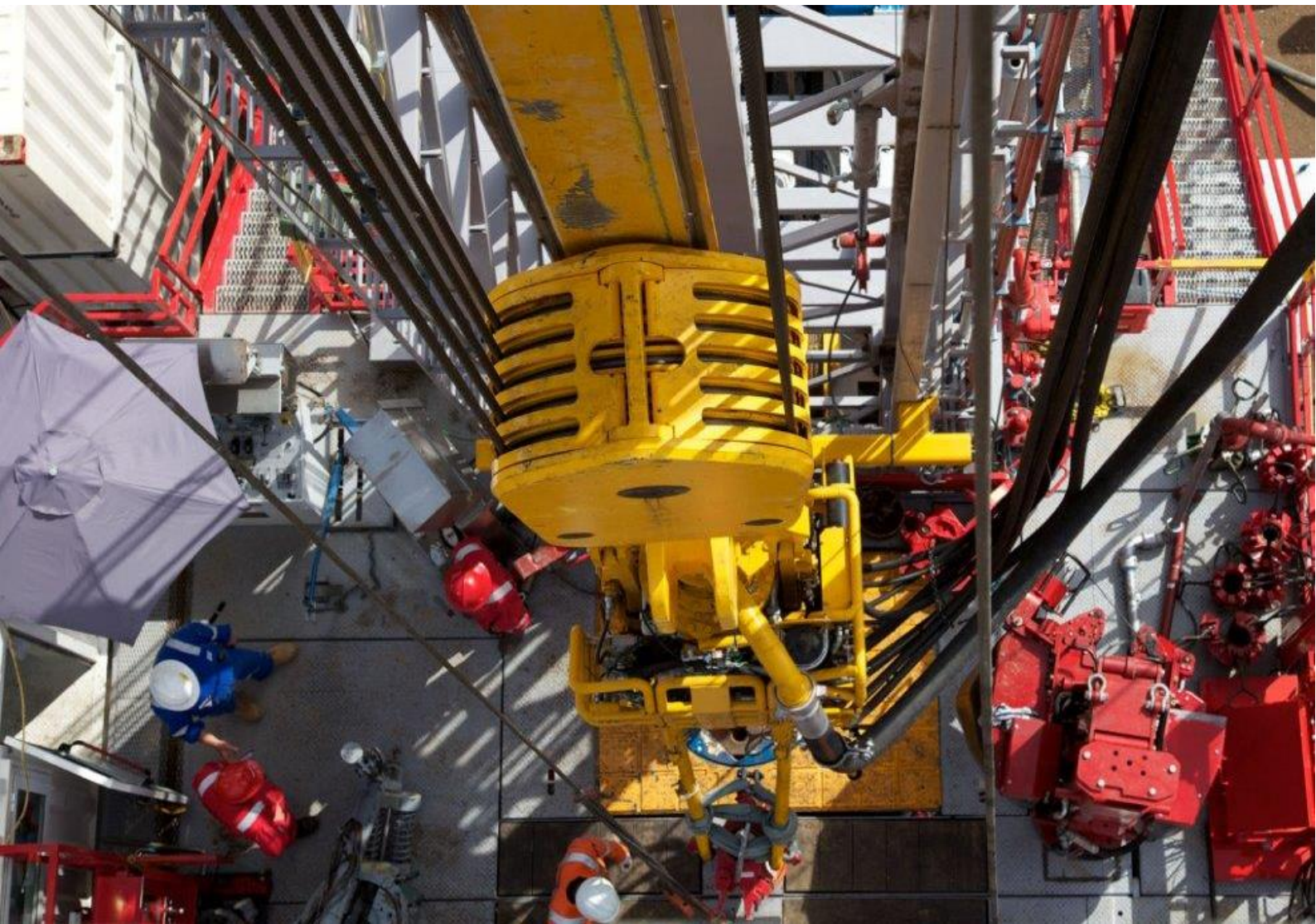
+35,000 jobs



£18 billion



More tax



Small companies, big community benefit

In many instances, SMEs in the onshore oil and gas supply chain will be based in the areas where exploration and extraction takes place.

As these companies win new contracts, they are more likely to create new jobs - unlike larger, out-of-town or overseas companies with sufficient people resources to absorb more work without the need for more staff.

The communities playing host to shale gas, and other forms of energy extraction, will feel the greatest benefit when local people start to get well paid jobs, with long-term prospects, in the supply chain that underpins it.

And they need it. In many of the locations where shale gas extraction could take place, wages are amongst the lowest in the country. It's perhaps no surprise that, in the latest Ipsos Mori Issues Index, 15% of respondents reported being concerned about the economy/economic situation.

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What's at stake?

Exploration and production companies, and their investors, are eager to see onshore oil and gas succeed in the UK.

It's easy to see how they might feel more comfortable relying on large supply chain partners, such as international environmental consultancies, global water treatment providers, and American oilfield services companies.

And yet it's clear that a British SME supply chain exists, with the skills, capabilities and appetite to fulfil many of these roles instead.

If British SMEs aren't able to secure a fair share of the supply chain jobs on offer, there's a real risk the industry will come to be dominated by overseas companies that fly their people and equipment in, and their profits home.

This would be a disaster for small companies, local jobs and the economy. And it would prevent Britain from maximising the benefits of onshore oil and gas.

Specific support for onshore oil and gas supply chain SMEs

British SMEs in the supply chain that supports onshore oil and gas need support.

They need access to finance, the ability to recruit ahead of the curve and the confidence to invest - confidence that is undermined by continuing uncertainty.

With the right help from Government, and the right buying commitments from exploration and production companies, the British SME supply chain will grow and thrive, boosting jobs, creating wealth and **helping to produce British energy, for the British people, using British companies.**

The Onshore Energy Services Group specifically calls for:

- the introduction of supply chain action plans, such as those now used in offshore wind as part of the Contracts for Difference (CfD) subsidy regime
- exploration tax breaks linked to British SME supply chain spend
- the introduction of a Government-backed loan guarantee scheme to help capital-intensive supply chain participants access the finance they need to fund new equipment
- help overcoming the perception that smaller companies are a riskier bet
- greater project visibility, and confidence that sufficient onshore shale gas development will take place
- assistance in recruiting and training people across the range of support disciplines so that the people and skills are in place when they're needed
- help enabling UK SME supply chain companies to develop the capabilities needed to meet the requirements of exploration and production companies, and to be able to compete fairly on cost and quality with major overseas and international companies



The Onshore Energy Services Group exists to advance the interests of British SMEs in the supply chain that supports onshore oil and gas so that small companies can play a big role in making shale gas, and other forms of energy extraction, a British success story.

We are a trade association. Membership is open to qualifying SMEs and others that meet our standards for entry.

To learn more, visit www.oesg.org.uk or follow us on Twitter [@www0ESGorguk](https://twitter.com/0ESGorguk)