



Key messages

- The UK offshore energy industry **contributes more than £36bn annually** to the UK economy and supports over **240,000 skilled jobs** across oil and gas, offshore wind, carbon storage and hydrogen¹.
- **The UK should prioritise investment in homegrown offshore energy production** to strengthen energy security, reduce reliance on imports and retain the industrial capability needed for the energy transition.
- **Replacing the Energy Profits Levy with the Oil and Gas Revenue Levy from April 2027**, coupled with a supportive regulatory regime would support domestic production, **protect long-term tax revenues** and sustain the offshore activity and supply chain capability needed to deliver future energy projects.
- **Accelerating grid access, reforming transmission charging for offshore wind** and setting out a **clear CCS route to market** would reduce delivery risk, unlock investment and support UK supply chain growth.
- **Stronger coordination between regulators and responsible authorities** is needed to reduce duplication, shorten decision timelines and remove bottlenecks that increase the cost of doing business.

Strategic importance

Offshore energy is a foundational sector for UK industrial capability, energy security and economic resilience. It provides the infrastructure, expertise and supply chains that support energy production across oil and gas, offshore wind and hydrogen, while also enabling key decarbonisation technologies such as carbon capture and storage. As the UK transitions to a lower-carbon economy, many of the skills, assets and supply chains developed in the North Sea will be critical to delivering future energy projects.

The sector's importance extends beyond energy production. Offshore energy supports a wide network of industries, including manufacturing, steel, cement, chemicals, construction, logistics and aviation. It also underpins the reliable energy system and industrial capability needed to support electricity demand from emerging growth sectors, including data centres and artificial intelligence technologies.

The sector represents one of the UK's largest long-term investment opportunities. OEUK's risked project pipeline identifies around £123bn of capital investment over the next decade: £17bn in oil and gas, £86bn in offshore wind, and £20bn in CCS and hydrogen². Capturing this opportunity requires a stable, competitive and predictable policy environment that reduces avoidable project costs, enables projects to progress and anchors supply chain capability in the UK.

Growing cost pressures

Offshore energy businesses face rising costs across labour, energy, equipment, finance and regulatory compliance. Energy-intensive activities, including fabrication and manufacturing, are particularly exposed to high delivered electricity costs. OEUK evidence shows that 63% of supply chain companies expected higher operating costs, with workforce and material cost inflation cited as the main drivers³.

These pressures are also affecting project economics. In offshore wind, European turbine prices have risen by more than 40% since 2020, making it harder for projects to reach the economic thresholds required for investment⁴.

Improving the operating environment

Across offshore energy, an increasingly complex and uncertain operating environment is increasing costs, delaying investment and raising financing risk. Addressing these barriers is essential to support investment, jobs, supply chain growth and energy security.

1. Oil and gas

Fiscal and regulatory regime that promotes domestic production over imports

The Energy Profits Levy (EPL) has materially weakened the investment environment for UK offshore oil and gas by raising the headline tax rate to 78% and creating prolonged fiscal uncertainty.

Replacing the EPL with the Oil and Gas Revenue Levy (OGRL) in April 2027, coupled with a supportive regulatory regime, would generate more than £13 billion in additional tax receipts over the next decade⁵. It would also support a more stable and competitive investment environment for domestic production, strengthening supply chain activity and generating substantial economic value across the UK.

Reform must also be accompanied by a pragmatic and predictable approach to licensing. Government should provide responsible access to acreage that supports existing fields, previously discovered resources and infrastructure-led opportunities, including tiebacks that can extend the life of critical hubs, pipelines and terminals. Clear alignment between licensing, environmental assessment, permitting and consenting decisions is essential to avoid delay, protect domestic production and prevent the premature loss of infrastructure and supply chain capability.

2. Offshore wind

Planning and consenting hurdles

Planning and consenting processes remain a significant barrier to offshore wind investment. Projects often require approvals from multiple bodies through sequential processes, increasing development and financing costs and delaying Final Investment Decisions (FID). Offshore wind projects can typically take between eight and 13 years to progress from concept to FID, with around half of that time spent navigating seabed leasing, consenting and grid connection processes⁶. Government should establish clearer timelines, align decision-making across responsible bodies and run processes concurrently where possible to improve project bankability and investor confidence.

Supply chain engagement and deliverability risk

Current Contracts for Difference (CfD) and procurement incentives still place too much weight on the lowest headline price, which can transfer risks to the supply chain that are difficult to price or manage. With operating, equipment and financing costs rising, this weakens bankability, adds contingency costs across the project lifecycle and increases the risk that consented projects do not reach construction.

The UK has a major advantage in the offshore capability built through the North Sea. However, much of this capability sits in services and specialist supply chain companies that are not captured by manufacturing-focused interventions such as the Clean Industry Bonus. This matters because delivery certainty depends not only on domestic manufacturing capacity, but also on the engineering, logistics, project management and digital expertise needed to turn awarded projects into operational assets.

Earlier, structured engagement with delivery-critical supply chain organisations would improve risk allocation and support offshore wind's transition towards a more self-sustaining market. Without this, skills, investment and capacity may increasingly be directed towards overseas markets where opportunities and returns are more attractive, weakening the UK's ability to secure the economic benefits of the energy transition.

Grid connection delays and system cost

Grid connection delays and wider uncertainty around network charging and electricity market reform are increasingly affecting the economics of offshore energy projects. In offshore wind, grid access has become a material delivery constraint, with the UK connections queue expanding to an estimated 700–800GW by late 2024⁶. While reforms are underway to move towards a “first ready, first needed, first connected” approach, developers continue to bear the financial consequences of connection delays through lost revenues and higher project costs. This increases the cost of capital, reduces project viability and ultimately feeds through into higher CfD prices and increased costs for consumers. Separately, location-based transmission charges create regional inequalities, with projects in Scotland and northern areas facing higher and more volatile network costs, weakening investment attractiveness in locations that are strategically important for future offshore wind deployment.

3. Carbon capture and storage

Funding and market uncertainty

The UK has a significant carbon storage opportunity and an established offshore supply chain with the capability needed to deliver it. However, investment remains dependent on government-backed business models, timely delivery of the initial clusters and a credible route to market for projects beyond the current track process. Uncertainty over future funding, project sequencing and access to transport and storage networks is increasing financing costs, delaying investment decisions and reducing supply chain confidence.

Government should provide a clear, long-term funding framework for CCS, maintain momentum on Track-1 delivery and set out an investable pathway for Track-2 and projects outside the current track process.

Working in partnership with industry to create a self-sustaining business model, greater certainty on funding envelopes and allocation timetables would crowd in private capital, support industrial decarbonisation and help retain UK offshore engineering, subsurface and infrastructure capability.

Tackling the regulatory burden

Offshore energy projects operate within a complex regulatory environment involving multiple regulators, responsible authorities and approval processes. While individual requirements may be justified, the cumulative burden becomes material when decisions are fragmented across regulators, information requests overlap or approvals move through sequential processes. For capital-intensive projects, these issues add cost, extend project timelines and increase financing risk.

The scale of this burden is significant. OEUK evidence shows that direct regulatory costs in oil and gas increased by 65% between 2015 and 2025, while production volumes fell by more than 40% over the same period. In addition, the wider costs of compliance can be three to four times higher than the fees paid directly to regulators⁷. Delivering the government's commitment to reduce regulatory burdens should therefore be judged by faster and more predictable decisions, less duplication, proportionate requirements and clearer accountability, not simply by lower regulatory fees.

Government should establish a coordinated approach to offshore energy regulation with clear ownership of cross-cutting decisions, published timelines and earlier engagement between industry and responsible authorities. This would reduce duplication, shorten project development cycles and lower the cost of capital for a more investable UK operating environment.

The following examples illustrate the breadth of regulations and policy frameworks that offshore energy businesses must navigate:

Department for Energy Security and Net Zero (DESNZ)

Regulation / Policy Framework	Regulator / Responsible Authority
Oil & gas licensing regime	NSTA
Environmental permitting and consents	OPRED
Decommissioning derogation / Comparative Assessment (OSPAR Decision 98/3)	OPRED
Review of Electricity Market Arrangements (REMA)	OFGEM
Transmission network (TNUoS) charging regime	OFGEM

HM Treasury

Regulation / Policy Framework	Regulator / Responsible Authority
UKCS customs declarations changes for goods moving offshore	HMRC
UK Carbon Border Adjustment Mechanism (CBAM)	HMRC

Home Office

Regulation / Policy Framework	Regulator / Responsible Authority
Offshore working visa requirements	Home Office

Within this wider regulatory landscape, OEUK has identified key areas with the greatest impact on project delivery and competitiveness. The following recommendations set out the actions needed to address them.

1. Oil and gas

Restore a predictable and delivery-focused UKCS regulatory regime

Challenge: Regulatory uncertainty is holding back investment in UK oil and gas projects. Limited visibility of future licensing and weak alignment between licensing, permitting and environmental decisions create avoidable rework and delay. This risks the early closure of hubs, pipelines and terminals that support domestic production, skilled jobs and the wider offshore energy supply chain.

OEUK recommendation: OEUK is calling for a predictable, coordinated and delivery-focused regulatory regime for the UKCS by:

- Establishing clear licensing pathways, with defined timelines and decision points aligned across NSTA, OPRED and related permitting processes.
- Providing forward visibility of licensing strategy, environmental requirements and regulatory expectations so operators and the supply chain can plan investment with confidence.

- Strengthening coordination between regulators to reduce duplication, rework, inconsistent interpretation and sequential delays.

Expected impact: A predictable and coordinated regulatory regime would reduce rework, shorten approval timelines and lower avoidable development costs. It would accelerate project delivery, support domestic production and keep critical infrastructure operating, while retaining the supply chain capability needed across oil and gas, offshore wind, CCS and hydrogen.

Coupled with the proposed changes to the fiscal regime, this would unlock a potential pipeline of £50 billion of investment in the UKCS delivering an estimated £165 billion of value to the UK economy, enabling the UK to deliver at least half of the demand for oil and gas on the pathway to 2050².

2. Offshore wind

Accelerate grid access and reform transmission charging

Challenge: Grid delays and volatile transmission charges are weakening the investment case for offshore wind. Projects in northern and Scottish waters face some of the highest charges, despite being central to future capacity. Revenues are fixed through the Contracts for Difference framework, but transmission costs can change after major investment decisions. This raises financing costs, increases bid prices and risks project delay or cancellation, with consequences for supply chain investment and consumer bills.

OEUK recommendation: OEUK is calling for a stable and investable transmission charging framework by:

- Providing clear multi-year visibility of transmission charges, with the main cost assumptions known before site selection and fixed by the point of CfD award.
- Aligning transmission charging with national energy system planning so charges do not discourage projects in locations needed for security of supply, decarbonisation or system resilience.
- Reviewing how transmission charges interact with the CfD framework, so developers have a coherent and investable cost and revenue model.

Expected impact: Greater certainty would reduce financing risk, improve project bankability and help more offshore wind projects reach Final Investment Decision. It would also give the supply chain clearer visibility and reduce the risk that grid and transmission costs feed through into higher CfD prices and consumer bills.

Reward deliverability and strengthen early supply chain engagement

Challenge: Offshore wind projects are increasingly exposed to rising costs, tighter financing conditions and delivery risks that are not fully recognised in price-led procurement. When risks are passed to the supply chain too late, or in ways that are difficult to price, projects become less bankable and the UK risks losing delivery capability to more attractive overseas markets.

OEUK recommendation: OEUK is calling for government to reward deliverability alongside price by recognising credible execution plans, bankable risk allocation and evidence of committed supply chain capacity within CfD and related processes.

- Broaden engagement beyond developers by routinely including Tier 1 delivery partners and other delivery-critical supply chain organisations in discussions on timelines, contracting and risk.
- Encourage earlier pre-FID engagement, including structured partnering and alliancing where appropriate, where this reduces interface risk and improves bankability.
- Ensure policy and market frameworks support projects that are not only competitive at auction, but credible, investable and buildable in practice.

Expected impact: Earlier and more effective supply chain engagement would reduce interface risk, improve cost certainty and strengthen project bankability. It would help more offshore wind projects reach Final Investment Decision, support a more self-sustaining market and retain the UK capability needed to deliver the energy transition.

3. Carbon capture and storage

Establish a clear route to market for carbon capture and storage

Challenge: The UK has the storage resource and supply chain capability to build a major carbon storage industry, but investment is being held back by uncertainty over government funding, project selection and access to transport and storage infrastructure. Without a clear route to market beyond the first clusters, projects will be delayed, private capital will remain on hold and opportunities to support industrial decarbonisation, skilled jobs and cross-border CO₂ storage services may move elsewhere.

OEUK recommendation: OEUK is calling for a clear, investable route to market for carbon capture and storage by:

- Maintaining momentum on Track-1, including expansion of HyNet and the East Coast Cluster, and enabling the Viking and Acorn Track-2 clusters to reach Final Investment Decision before the end of this Parliament.
- Establishing a route to market for projects outside the current cluster process, with long-term visibility of funding, allocation timetables and access to transport and storage infrastructure.
- Removing barriers to cross-border CO₂ flows and enabling proportionate non-pipeline transport arrangements to support a competitive UK carbon storage market.

Expected impact: A clear market framework would reduce policy and allocation risk, lower the cost of capital and unlock private investment. It would accelerate industrial decarbonisation, support cross-border CO₂ storage services and create a clearer path towards a self-sustaining UK carbon storage market. It would also help retain the offshore engineering, subsurface and infrastructure capability needed to deliver this opportunity.

Working in partnership with industry to create self-sustaining business models, these recommendations would help create a more competitive and investable UK offshore energy sector by reducing avoidable project costs, improving delivery certainty and strengthening investor confidence. Addressing these barriers is essential to unlock investment, support domestic supply chain growth, enhance energy security and maximise the economic value of the energy transition.

Endnotes

1. Offshore Energies UK (2026), *Briefing Document: Back a modern industrial UK, secured by homegrown energy*, available at: <https://oeuk.org.uk/product/briefing-document-2026/>
2. Offshore Energies UK (2026), *Business Outlook Report 2026*, available at: <https://oeuk.org.uk/product/business-outlook-report-2026/>
3. Offshore Energies UK (2025), *Supply Chain Report 2025*, available at: <https://oeuk.org.uk/product/supply-chain-report-2025/>
4. Rystad Energy (2026), *Supply squeeze: Europe's offshore wind sector sees turbine prices jump 40-45% as manufacturer options shrink*, available at: <https://www.rystadenergy.com/news/europe-offshore-wind-sector-turbine-price-jump>
5. Offshore Energies UK (2025), *Impact of UKCS Fiscal Policy on UK Economic Growth*, available at: <https://oeuk.org.uk/product/impact-of-fiscal-policy-on-the-uk-continental-shelf/>
6. Offshore Energies UK (2026), *Offshore Wind Insight 2026*, available at: <https://oeuk.org.uk/product/offshore-wind-insight-2026>
7. House of Lords Industry and Regulators Committee, *An enabling regulatory environment that supports economic growth: written evidence from Offshore Energies UK (RAG0076)*, available at: <https://committees.parliament.uk/committee/517/industry-and-regulators-committee/publications/written-evidence/>
A business tax contribution analysis was not progressed for the offshore energies sector, as its activities span several broader SIC categories and cannot be isolated reliably within the available tax data.



September 2026

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