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Can More Drilling Revive the UK's Oil Capital? Doubts Run Deep

The North Sea basin was once a significant source of revenue for Britain. Today, it's in terminal decline.

By Olga Tanas and Elena Mazneva

(Bloomberg) -- Aberdeen, with its windswept views of the North Sea, has for decades carried the title of Europe's oil capital. After vast offshore reserves were discovered in the 1970s, the Scottish city transformed from a modest fishing port into a booming economy with one of the UK's highest concentration of millionaires.

For Paul de Leeuw, an engineer who first came to Aberdeen more than three decades ago, tapping the North Sea's wells rivaled the complexity of putting a person on the moon. "I wanted to be part of that journey," he said, recalling his work for companies including BP Plc and Shell Plc. "Aberdeen was a thriving hub."

Paul de Leeuw.

Yet that status has been slipping for years, sharpening a political fight in Westminster over whether the industry is even worth salvaging at this point. As the green transition accelerates, oil and gas production in the UK, much of it tied to Scotland, has fallen to less than a quarter of its peak in Britain's slice of the aging North Sea basin. Aberdeen's job market is now among the weakest in the UK.

To many opposition leaders, the prescription is straightforward: lift exploration bans and roll back taxes they argue have damaged the sector. Last year, no company began drilling a new exploratory well in the UK, the first such pause since the 1960s, according to Wood Mackenzie.

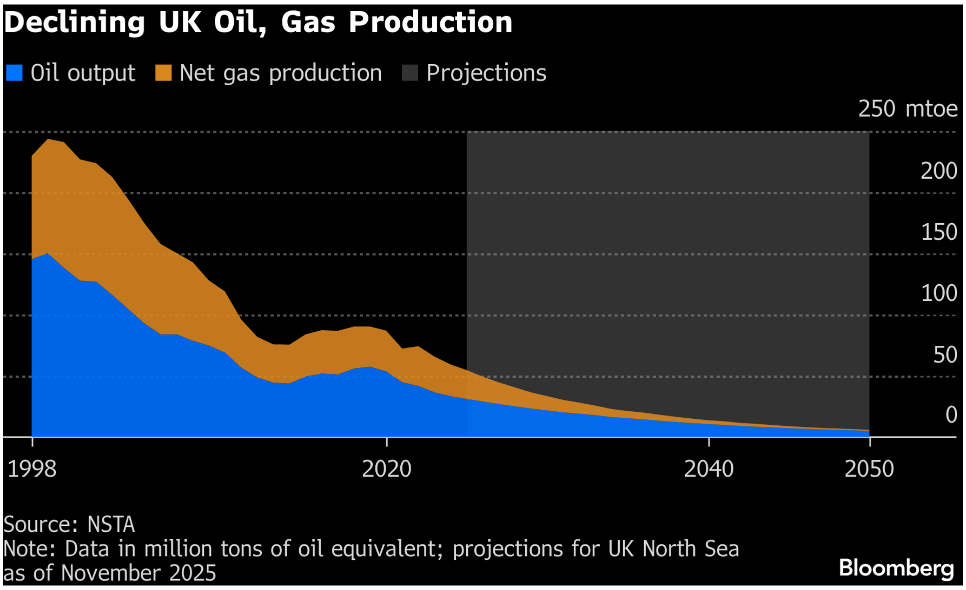
Critics of the government's green pivot say the retreat from oil and gas has gone too far, driving up energy bills and destroying jobs. At a gathering in Hamburg last month, North Sea nations, including the UK, pledged to expand offshore wind capacity by the end of the decade. They vowed to reshape the region's storied oil basin into the world's largest clean energy reservoir.

At the World Economic Forum in Davos, US President Donald Trump mocked that approach, singling out the UK as an example of self-inflicted decline.

"They don't let anybody drill," he said. "There are windmills all over the place and they are losers."

An offshore wind farm viewable from Aberdeen's coast.

But interviews with engineers, oil producers and activists suggest the decline of oil and gas is now terminal in the UK. For all the political debate, the sector accounts for only about 1% of the economy today, according to David Owen, chief economist at Saltmarsh Economics. Even if drilling picked up pace, few believe the UK could ever compete again on oil and gas. Its stretch of the North Sea is 90% depleted for commercial resources, according to Wood Mackenzie, and rivals have surged ahead.



Many now point to Norway's Stavanger, rather than Aberdeen, as the region's main hub. Both draw from the same basin, but Norway treated oil and gas as a long-term national project, extending production and keeping tight state control over companies such as Equinor ASA. The result is a steady flow of tax and dividend income into Norway's $2.1 trillion sovereign wealth fund.

Speaking to oil executives in Oslo last month, Energy Minister Terje Aasland contrasted Norway with the UK, calling the industry there "essentially irrelevant."

"They've been a bit all over the place," he said in an interview after the speech.

The outcome has been painful in the UK. Oil and gas employment has shrunk significantly, outpacing job growth in alternative industries such as wind and solar. As sector output declined, tax receipts dropped to £4.5 billion ($6 billion) in the 2024–25 fiscal year — a fraction of their former peak.

The Aberdeen letters at Union Terrace Gardens.

"It's the worst fiscal environment among all the countries that Harbour Energy operates in," Linda Cook, the chief executive of one of the UK's biggest oil and gas producers, told reporters in December. Apart from Britain, the company has assets in Norway, Argentina, Mexico, North Africa and has recently announced plans to enter the US.

Today, Aberdeen's Union Street, a main shopping district lined with iconic granite buildings, is struggling. Empty storefronts dot the area. De Leeuw, now a professor heading Robert Gordon University's Energy Transition Institute in the city, said residents have navigated the industry's inevitable fall for years.

But lately, he said, "we've moved from a managed decline to a much more accelerated one."

"The impact now is unavoidable," de Leeuw said. "You can feel it when you walk around the city."

Oil storage tanks and other facilities in Aberdeen Harbor.

Shuttered businesses in Aberdeen.

‘Years of Inaction’

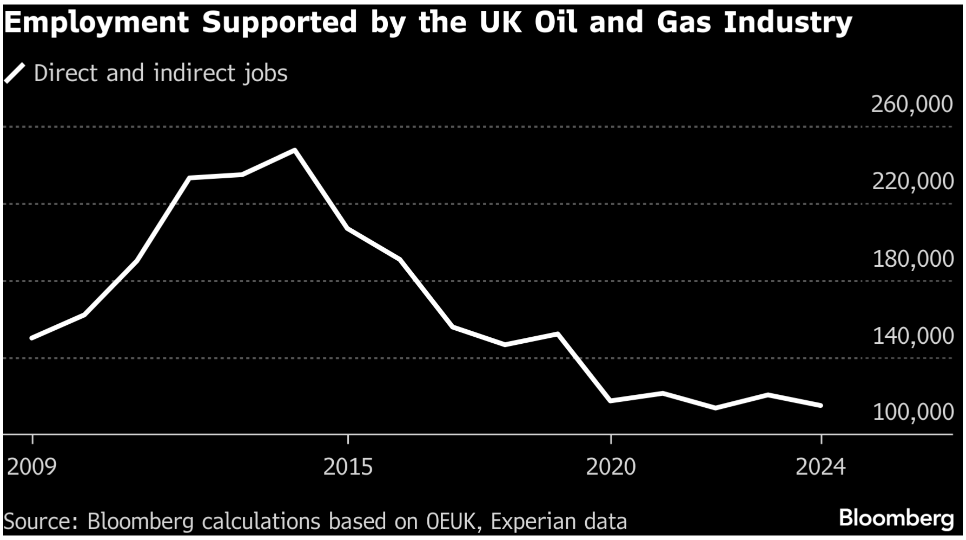
Even as revenue plummets, the debate over what to do next remains a live wire in places like Scotland, home to roughly half of the UK’s oil and gas workforce. Ahead of an election there this year, Prime Minister Keir Starmer is caught between safeguarding livelihoods and achieving green energy goals.

In November, the Labour government released a blueprint — described as addressing “years of inaction”— to protect existing North Sea jobs and help workers transition into clean energy industries. The plan sticks to Labour’s pledge to halt new exploration, but allows some additional production from existing fields.

As oil and gas declines, offshore wind has expanded across the North Sea. The UK is now the world’s second-largest offshore wind market, and the government has set a target of installing as much as 50 gigawatts of capacity by 2030, enough, it says, to power nearly every home in the country.

Ministers say that buildout can help offset losses from oil and gas. In October, the government said its clean energy push would create more than 400,000 jobs by the end of the decade and set aside £20 million to help North Sea workers retrain.

“We are not willing to accept the status quo we inherited of the North Sea being in decline,” said a spokesperson for the UK’s Department for Energy Security and Net Zero. “We’ve set out a plan for the North Sea to become the clean energy powerhouse of Britain, backed by record investment to grow these industries.”



History helps explain why oil and gas retains outsized significance despite its diminished value. Memories of the UK’s deindustrialization in the 1970s and 1980s still loom large, when the shift from manufacturing to services battered sectors like coal and steel and sent political shockwaves that lasted for decades.

“We have a moral obligation to deliver on our climate commitments, but must ensure we do not leave communities behind,” said Gillian Martin, Scotland’s climate action and energy secretary. “Unless there is action now from UK ministers, we run the risk of repeating the mistakes of the past.”

Tagged and graffitied concrete boats at the foot of a high-rise in Aberdeen.

Those advocating a slower retreat from oil and gas cite recent tax policy as a central concern. Industry groups point to a windfall tax first introduced by the Conservative government after Russia's invasion of Ukraine sent energy prices soaring. Although prices have since retreated, the levy was extended and increased several times until 2030, a move companies say has chilled investment.

The impact is already visible. In a recent industry survey, roughly half of the UK's offshore energy firms said they had reduced staff over the past year, while about 45% expect to make further cuts in the next 12 months if policies remain unchanged.

Even so, industry groups argue that Europe's energy mix will remain diverse for decades. There will always be periods when the sun doesn't shine and the wind doesn't blow. With more supportive policies, domestic oil and gas could meet around half of the UK's demand by 2050 and generate roughly £150 billion in additional gross value, according to Offshore Energies UK.

In Teesside, an industrial hub in northeast England, Harry Ford sees the tendency to frame the energy debate as a zero-sum contest as part of the problem. "We need all sources of energy," said Ford, an engineer at Kellas Midstream, who followed his father and grandfather into the offshore oil and gas industry.

Britain currently produces about 45% of the gas it consumes. Output from aging North Sea fields is typically more expensive and emissions-intensive than pipeline imports from Norway. But tanker shipments of liquefied natural gas from the US carry a significantly higher overall carbon footprint — and Wood Mackenzie expects such LNG to supply more than 60% of Britain's gas by 2035 as Norwegian output declines. Supporters of continued North Sea investment argue that replacing US LNG with domestic production could still reduce emissions overall, though some dispute that framing.

"This isn't a choice between more North Sea drilling or imports — that ship has sailed," said Tessa Khan, executive director at Uplift, an environmental nongovernmental organization. "It's between more imports or ramping up renewables.”


A Helix Robotics vessel in Aberdeen. The offshore services company supports renewable energy projects.


Aberdeen South Harbor.

Over the longer term, the direction of change is clear.

“Of course a CEO of an oil or gas company wants to extract as much value as possible right now,” said Owen of Saltmarsh Economics. “But over a 50-year horizon, these companies have to transition.”

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