

Neptune declares UK tax on energy profits “increases uncertainty”

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By Victoria Masterson

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NORTH Sea operator Neptune Energy has warned of “uncertainty” created by the UK’s new windfall tax on oil and gas profits and said its future investments would favour “countries with supportive and stable fiscal and regulatory regimes.”

The company, which has interests in eight countries and has its UK headquarters in Aberdeen, issued the warning as reported a 300% increase in global half year pre-tax profits from \$360 million (£295m) to \$1.44 billion (£1.18bn).

At more than 132 thousand barrels of oil equivalent per day, production from its oil and gas fields in the first half of the year was “substantially higher” than the first half of 2021, Neptune said, because of project start-ups and good operational performance.

The oil and gas producer and explorer operates in the UK, Norway, the Netherlands and Germany and jointly operates gas fields in Algeria. Neptune also has interests in Egypt, Indonesia and Australia.

Peter Jones, Neptune Energy chief executive, said the company's good performance was underpinned by "higher production, prevailing commodity prices and tight cost control."

"We continue to mature new opportunities across our global portfolio, providing further growth potential," he added.

Global first half revenues were ahead almost 136% at \$2.06bn (£1.69bn), from \$874m (£715m) in 2021.

In response to the cost of living crisis and rising energy prices, then-Chancellor Rishi Sunak announced measures in May to support UK households that would be partly paid for by a new tax on profits from North Sea oil and gas production.

This Energy Profits Levy has since been substantially enacted and puts an extra 25% tax on the profits of UK oil and gas producers. On top of the headline 40% tax rate that UK oil and gas producers already pay, this takes "the total tax take to 65%," Neptune said.

Neptune executive chairman Sam Laidlaw said: "As countries around the **world** prioritise energy security, energy policy must support a stable and predictable investment climate to encourage new investment in additional sources of supply."

The impact of the UK Energy Profits Levy "increases uncertainty," the company said, adding that in future, "we will favour shorter-cycle projects in countries with supportive and stable fiscal and regulatory regimes."

Meantime, with war in Ukraine and "structural under-investment" keeping energy supply constrained, Neptune said its investment was focused on completing projects in Norway and the UK, which were expected to increase the company's production by around 47 thousand barrels of oil equivalent per day in 2023.

The company said it expected commodity **markets** and cashflow to remain strong in the second half of the year. Neptune's results show its energy realised an average price per barrel of oil equivalent of just over \$117 in the first half of 2022, up from \$59.2 last year.

A spokesperson for Neptune said the UK accounted for only 6% of the company's profits, but received 20% of its global capital expenditure, which was \$264m (£216m) in the first half of 2022.

In May this year, Neptune Energy announced it would be spending more than \$1 billion (£820m) over the next five years to secure energy supplies for the UK and help speed up the country's transition to carbon neutrality.

Plans include doubling gas production from its Duva field in Norway, which would supply enough gas to heat an extra 350,000 UK homes.

From 2023, the Seagull oilfield in the central North Sea east of Aberdeen will add around another 50 thousand barrels of oil equivalent per day of production for the UK.

Neptune says it is one of the UK's "lowest carbon" producers, with each barrel of oil equivalent it produces creating 1.7kg of carbon dioxide, compared to the industry average of 20 kg.

The company has started using renewable energy including wind and solar to power some of its oil and gas fields, and is developing two projects in the UK and Dutch sectors of the North sea to capture and store CO2.

Neptune employs around 1,500 people globally, including 200 in the UK across its offices in Aberdeen and London.

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