

19 June 2023

# The Parkmead Group plc (“Parkmead”, the “Group” or the “Company”)

## **UK North Sea Strategy Update**

Parkmead, the independent energy group with operations in the Netherlands and the UK, provides the following update on its strategy in relation to its UKCS licence interests.

### **Strategic Direction**

The UK North Sea upstream industry is facing unprecedented challenges associated with volatile oil and gas prices, ageing infrastructure and rising capital and operating costs. This, combined with the sharp increases in taxation in the last 12 months and the loss of key equipment and human resources from the UK North Sea, has resulted in a large number of drilling campaigns and investment decisions on new field developments being delayed, curtailed or cancelled. A further major consideration has been the significant increase in the cost of capital made more difficult by a lack of appetite from traditional funding sources to support oil and gas projects. These factors are affecting all companies active on the UKCS, from major multi-nationals to independents.

Parkmead, like many of its peer companies, has found it necessary to re-evaluate its strategic direction and develop a transition plan that moves the company forward during an ever-evolving regulatory framework, which recognises the social and economic demand for viable and sustainable clean energy.

Parkmead is an experienced British independent energy company, with a management team that has a successful track record of operating on the UKCS, and we remain fully committed to our home region. However, given the unprecedented very high hurdles created by the current challenges, the Parkmead Board has taken the decision that it must now necessarily be very careful and selective in its forward UK investment strategy. The Board of directors has agreed that Parkmead’s primary focus will be on building a high-quality portfolio of gas producing assets and electricity generation from renewable energies, that meet the ultimate aim of net-zero. Alongside this, Parkmead will continue to work on its existing portfolio of oil and gas assets where they have the potential to be developed rapidly within the UK transition phase and also evaluate acquisition opportunities that are aligned with this strategy.

### **Perth Area**

As announced in the interim results on 31<sup>st</sup> March 2023, the Parkmead team has worked extremely hard in recent years to progress this challenging development with its unique set of characteristics including problems handling sour gas combined with ageing nearby infrastructure. This work has included extensive transportation, engineering and processing studies and commercial negotiations with infrastructure owners including INEOS and the Scott Area owners. Latterly, Parkmead was encouraged with the positive initial findings from a Net-Zero feasibility study, conducted in conjunction with CNOOC and Worley, which demonstrated that a technical solution was possible using the Scott platform for the reinjection of associated sour gas into a nearby depleted reservoir. However, recently updated development capital costs for Perth, including the additional costs of achieving net-zero requirements, have climbed to almost one billion US dollars.

These studies resulted in a technically sound, Central North Sea development which could have added significant oil volumes for the UK albeit through ultra late-life neighboring infrastructure. This development plan could therefore satisfy both MER and Security of Supply Central Obligations for the NSTA. In addition to the comprehensive geoscience and technical

work completed, Parkmead has been having detailed discussions with a number of companies active nearby and the NSTA around extending the licences to give the necessary time for submission of a revised concept select report following completion of the net-zero studies. Concurrently, Parkmead and its advisers, ran a comprehensive farm out process, as previously announced in July 2022. This process ran over several months and farm-in interest was expressed from multiple parties, subject to an extension to the current licence and other factors.

However, significant concerns were highlighted over the longevity of potential nearby host infrastructure, the inability to pursue a stand-alone FPSO development option under the net-zero requirements and, in particular, industry concerns were highlighted over the recent numerous fiscal changes which has led to a large increase in effective taxation. Such an increase materially damages project economics, undermining the usual risk-reward equation associated with making major offshore oil and gas field investment decisions. These factors, combined with a lack of public and political support for new oil projects, have resulted in a very cautious and conditional approach from industry during these partnering discussions. Throughout this in-depth and extensive process, it has become clear that without full and committed engagement from industrial partners it would not be practical to progress the Perth development to FID, particularly recognising the massive level of capital investment required.

The Company therefore advises that the potential Perth oil development will not be pursued and that the P588 and P2154 licences containing the Perth discovery are not being extended. A non-cash one-off impairment of approximately £33m relating to the Perth area will be recorded in the accounts to 30 June 2023. Parkmead remains in a very healthy cash position with ongoing valuable revenues from our producing Dutch gas fields and onshore UK wind turbines. Additionally, the Group has a very significant pool of UK tax losses, which total in excess of £150 million. This tax position means Parkmead is exceptionally well placed in respect of making potential acquisitions, at a time when UK oil and gas taxation for larger producers is at such high levels. Our experienced management team will continue to maintain strict financial discipline across the Group's portfolio. Therefore, we are refocusing our offshore UK efforts on acquisitions and also on attractive projects such as Skerryvore, which are simpler and lower cost than Perth and so present clear opportunities for near-term value creation for shareholders.

## **Skerryvore**

In the UK Central North Sea, Skerryvore is an exciting area which, despite the new fiscal and regulatory challenges, could be developed in a timely and cost-efficient manner. Parkmead is therefore planning to drill this high-impact well as soon as possible. As the Operator, with a 50% stake, Parkmead is making excellent progress with well planning and vessels and rig tendering with a current forecasted spud date during Q4 2024. Parkmead has two strong industry partners at Skerryvore, in Serica and CalEnergy.

The well is targeting an estimated 157 million barrels of oil equivalent from multiple horizons on the flank of a salt diapir. Skerryvore is surrounded by modern infrastructure which provides the opportunity for a number of low-cost tie-back options which, in the success case, would allow a highly economic development of Skerryvore to proceed at pace.

## **Exploration and Appraisal Activities**

Parkmead is committed to pursuing attractive exploration and appraisal opportunities where these have the ability to be drilled and developed swiftly within the transition period, by utilising existing nearby infrastructure with a lengthy remaining field life that meets the requirement of net-zero targets. This revised strategy has formed the basis of the selective applications Parkmead has made in the UKCS 33<sup>rd</sup> Offshore Oil & Gas Licensing Round. Parkmead has recently made presentations to the NSTA on our proposed work programmes in support of these applications, the outcome of which will be known later in 2023.

## Acquisition Opportunities

Alongside our commitment to extract the maximum value from our UKCS exploration, appraisal and development assets, Parkmead still sees considerable upside value in UKCS production at a time when many companies have announced their intention to withdraw or reduce their activity levels. Parkmead's team continues to evaluate a number of acquisition opportunities, to complement the potential of projects within its existing asset portfolio in the Netherlands and the UK. The focus of the Board's acquisition criteria is to seek to add value to shareholders through revenue generation and through the utilisation of Parkmead's significant UK tax losses.

### Tom Cross, Executive Chairman, commented:

*"Parkmead has developed a clear strategy for its future in the UK North Sea. Over recent years a great deal of our team's effort has been directed at trying to unlock the complex Perth area. Our team is naturally disappointed that despite these huge efforts, working closely with neighbouring operating companies and highly skilled supply chain companies, the combination of challenging factors means it is not economically viable to take the project forward. However, our expert resources will now be focused on other valuable opportunities."*

*As a balanced energy company, Parkmead will continue to progress its diverse portfolio of gas, oil and renewable energy assets in order to maximise shareholder value. We have sound and sustainable revenue from our Dutch gas fields, plus income and increasing potential from our growing renewables portfolio. This solid base onshore in the Netherlands and the UK puts Parkmead in a strong position to pursue the exciting and significant upside offshore that Skerryvore presents in the near-term, and the Fynn Beaully and Fynn Andrew assets in the medium-term, together with any new licences that may be awarded to Parkmead and its partners following its applications in the current 33<sup>rd</sup> UK Offshore Licensing Round."*

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### About Parkmead

The Parkmead Group is a UK and Netherlands focused independent energy group listed on AIM of the London Stock Exchange (AIM: PMG). The Group produces natural gas from a portfolio of four fields across the Netherlands and holds significant additional oil and gas interests across the UK and Dutch sectors. Parkmead also 100% owns and operates the Kempstone Hill wind energy company, producing electricity direct to the UK grid. This is in addition to a range of complementary renewable energy opportunities throughout the Group.

For further information please refer to Parkmead's website at [www.parkmeadgroup.com](http://www.parkmeadgroup.com)

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.