Response to the Scottish Affairs Committee call for evidence on the Future of the Oil and Gas Industry

About the STUC

The STUC is Scotland’s trade union centre. Its purpose is to co-ordinate, develop and articulate the views and policies of the trade union movement in Scotland; reflecting the aspirations of trade unionists as workers and citizens.

The STUC represents over 540,000 working people and their families throughout Scotland. It speaks for trade union members in and out of work, in the community and in the workplace. Our affiliated organisations have interests in all sectors of the economy and our representative structures are constructed to take account of the specific views of women members, young members, Black members, LGBT+ members, and members with a disability, as well as retired and unemployed workers.
Key Points

- The UK and Scottish Government need to consider what support they can give to oil and gas workers in the short term. The Offshore Coordinating Group, which includes Unite, RMT, GMB, Nautilus and Balpa, should be given a key role in outlining workers concerns.

- The safety of workers in the North Sea is under increasing pressure, including through helicopter safety and the three-weeks on three-weeks off shift rota. The Scottish and UK Government should commit to a public inquiry into offshore helicopter safety.

- There is a need for a comprehensive industrial strategy, which would consider the skills and experience of existing oil and gas workforce in supporting the development of a just transition to renewable energy. The Scottish Government’s Just Transition Commission may provide an opportunity to develop this.

- There is a need for greater public ownership within the offshore sector. The Scottish Government owned energy company could play an important role in this.

- There is a need for a clear UK Government decommissioning strategy to ensure jobs and economic value within decommissioning is captured in the UK, and not outsourced to parts of the world with weaker environmental protections and workers’ rights.

The offshore workforce and industrial relations

The STUC is deeply concerned at the scale of job losses and the reduction in terms and conditions for many workers in Scotland’s offshore oil and gas industry.

Oil and Gas UK estimate that the number of jobs related to the oil and gas industry has fallen by 160,000 between 2014 and 2017.\(^1\) The table below shows figures for direct, indirect and induced oil and gas jobs in the UK.\(^2\)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>36,600</td>
<td>41,300</td>
<td>37,300</td>
<td>29,500</td>
<td>28,300</td>
</tr>
<tr>
<td>Indirect</td>
<td>158,100</td>
<td>206,100</td>
<td>163,100</td>
<td>150,600</td>
<td>141,900</td>
</tr>
<tr>
<td>Induced</td>
<td>206,200</td>
<td>215,500</td>
<td>173,400</td>
<td>135,300</td>
<td>132,000</td>
</tr>
<tr>
<td>Total</td>
<td>440,900</td>
<td>463,900</td>
<td>373,800</td>
<td>315,400</td>
<td>302,200</td>
</tr>
</tbody>
</table>

The bulk of employment is indirect, in the supply chain and services such as hotels and restaurants. 38% of this employment is estimated to be in Scotland equalling a total of 115,000 jobs.\(^3\)

Looking specifically at the offshore workforce, more than 52,000 people travelled offshore in the UK in 2016, back in line with the long-term trend seen before 2012. However, the core offshore workforce (those spending more than 100 days offshore per year) decreased by 18% from 2014-16, from 28,990 to 23,651.\(^4\)

We must also consider how these reductions impact on the regional economy. Skills Development Scotland predicts that total employment in Aberdeen will decline until 2020, with 5,500 jobs forecast to be lost in the energy sector to 2027.
What’s more, around 15 per cent of the offshore workforce are non-British citizens, around half of whom are from the EU. Consideration therefore needs to be given to potential skills shortages after the Brexit.

These are worrying trends and every effort is needed to ensure direct, indirect and induced oil and gas jobs are retained in Scotland and the UK.

Those jobs should be underpinned by the extension of fair work principles and collective bargaining for workers across the sector. The Scottish Government’s Fair Work Framework, encompassing security, opportunity, respect, fulfilment and effective voice, provides a basis for which fair work can be considered, but offshore Unions have documented numerous examples of inappropriate commercial behaviour not in line with the Fair Work Framework.

RMT advocate that the industry be compelled to adopt the industrial relations model used in Norway. This would involve the offshore unions negotiating with all employers through one trade body, for example Oil and Gas UK.

The Norwegian model has resulted in stable production costs and while there have been job losses since the fall in oil prices, workers have not experienced the cuts to pay, terms and conditions or changes to shift patterns which have taken place in the UK.

**Health and safety**

The safety of workers in the North Sea is under increasing pressure from poor industrial relations, the safety of helicopter transport and the three-weeks on three-weeks off shift rota enforced by the majority of employers after the oil price fell in 2014.

Research by the Scottish Centre for Employment Research at the University of Strathclyde has identified a number of areas of health and safety concern relating to three weeks on/three weeks off, including: fatigue, increased potential of severe accidents, excess overtime, and mid-shift changes in rotation (e.g. switching from day-to-night shift from night-to-day shift).

Similarly, a recent Robert Gordon University report found that 52% of those on three weeks on/three weeks off were dissatisfied with their work-life balance. They were also almost twice as likely to experience ill health in comparison to those on two weeks on two weeks off.

The three week shift rota should therefore be re-considered.

Since 2009, 33 offshore workers and crew have lost their lives and 65 rescued from the North Sea, following a series of fatal and non-fatal helicopter accidents, all involving Super Puma H225 or AS332 L2 models. North Sea workers, including through Unite’s ‘Back Home Safe’ Campaign, have expressed no confidence in this model of transport and called for them not to be reintroduced.

As we approach the thirtieth anniversary of the death of 165 offshore workers and two seafarers, who lost their lives in the Piper Alpha disaster on 6 July 1988, we believe the Scottish Government and the UK Government should commit to a public inquiry into offshore helicopter safety. This would be in accordance with Lord Cullen’s recommendation, for an offshore safety culture of continuous improvement.
The need for more effective Industrial Strategies from Government

Despite the downturn in the North Sea, the UK Government has not delivered effective measures to help offshore workers affected, nor has it produced comprehensive strategies for decommissioning and transitioning to renewable energy sources. For example, the UK Government’s Maximising Economy Recovery Strategy and the Oil and Gas Authority’s Vision 2035 document are both focused on the reduction of costs and not on job retention.\textsuperscript{ix} The UK Government’s Industrial Strategy\textsuperscript{x} also doesn’t give proper consideration to the ways in which it can support our offshore workforce.

The Scottish Government’s Just Transition Commission provides an opportunity to consider how to put in place a proper Industrial Strategy that supports offshore workers and the development of renewables and decommissioning in a way which captures value within the Scottish and UK economy, supports post-industrial communities, and provides good quality, unionised jobs. Such a strategy would also consider how to attract under-represented groups including women, disabled people and black and ethnic minorities.

Renewable energy

Unfortunately, to date, renewable energy developments in Scotland have been dominated by the big energy companies, developers and large landowners, and the green jobs boom has not appeared to the extent promised, particularly in relation to manufacturing. Where green jobs have been created, they are too often poor quality and ununionised.\textsuperscript{xi}

If Scotland is to develop renewables further, lessons must be learnt from the past experience of North Sea oil, in which the profits have all but been captured by private companies. This is in contrast countries such as Norway, where publicly owned-energy companies provide returns to Governments' and taxpayers.

To this end, we would urge the proposed Scottish Government owned energy company to focus on energy generation, particularly offshore wind, rather than simply energy supply. This could be an important step towards the extension of public ownership throughout the system. Such a model could also help companies such as Bifab, who provide the jackets for offshore wind.

Greater public ownership would also provide a potential safeguard to the role of an overly financialised offshore sector. Over the last two years there have been significant job losses at BP and Shell.\textsuperscript{xii} There appears to be a trend towards mergers and acquisitions (for example Total’s takeover of Maersk). In 2016 the industry saw nearly $6bn worth of mergers and acquisitions. Several major oil firms have also sold stakes to smaller, independent players who are backed by private equity finance.\textsuperscript{xiii}

Decommissioning

While premature decommissioning of North Sea infrastructure should be avoided, the decommissioning industry is the only sector in the offshore oil and gas industry where expenditure is growing and will continue to grow over the coming years.

250 platforms, nearly 2,500 wells, connected by 7,800kms of pipeline in the UK sector, have been earmarked for decommissioning by 2025 at an estimated cost of £17 billion. Most of which will be met by the taxpayer under generous tax relief schemes for oil and gas companies’ infrastructure clean-up costs.
What's more, a report commissioned by the GMB estimated total decommissioning costs to be more than £100 billion, with the UK Government liable for 50-75% of the cost of this. Standards in the decommissioning sector are concerning, with reports of sub-minimum wage pay rates on specific projects, and non-compliant training standards.

While fixed platforms will be decommissioned in-situ, others, such as semi-submersible platforms, drill ships and floating production systems, risk being decommissioned in poorly regulated markets in South Asia.

Earlier this year, three drilling rigs stacked at Cromarty Firth were prevented from moving by the Scottish Environment and Protection Agency (SEPA) following concerns about the safety of their destination and disposal. The rigs were sold by Diamond Offshore to GMS, an American company with links to India and Bangladesh, where environmental and regulatory standards are lower. Chinese ships subsequently sat for a month at Cromarty Firth awaiting permission to transport these rigs, despite capacity existing at local facilities in Scotland, including Cromarty Firth, Invergordon, Methill and Dundee. RMT have called the UK Government’s failure to provide jobs and a sustainable future for UK offshore workers ‘a dereliction of duty’. Similarly, offshore Unions have raised concerns about Scottish firms missing out on decommissioning work to a Norwegian port following a tendering process.

These incidents highlight the desperate need for an industrial strategy that considers employment, environmental sustainability, port development, manufacturing, the circular economy and the wider supply chain, particularly in growth areas, such as offshore decommissioning. Such an approach could support workers at Bifab who have admirably fought to save their jobs, but will require continued support moving forward.

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ii The methodology for these calculations involves “tracking the flow of the initial expenditure through the economy and estimating how much subsequent economic activity is generated through industry and household demand. The total value of all economic activity associated with oil and gas expenditure is converted to employment estimates based on a measure of average employment costs (including wages and taxes) by industry. The method is consistent with the latest official statistics and estimates of expenditure by the industry”. See: https://oilandgasuk.co.uk/oil-gas-uk-figures-show-impact-of-oil-price-downturn-on-jobs/


v For full details see RMT, Unite and other submissions.

vi Scottish Centre for Employment Research, Strathclyde University for Offshore Co-ordinating Group (2016) ‘Safety Critical Offshore Workers in the UK Oil and Gas Sector: Hours, Shifts and Schedules’,