The Scottish Affairs Committee

The future of the oil and gas industry inquiry

The Committee will consider;

1. What challenges does Scotland’s oil and gas industry face, and how can they be addressed?
2. How can the economic return from Scotland’s oil and gas reserves be maximised?
3. What action is the UK Government taking to support the long-term future of the oil and gas industry in Scotland, and how effective has this been?
4. How well do the different stakeholders (UK Government, Scottish Government, companies) work together? Does the current devolution settlement enable all stakeholders to support the sector?
5. How can Scotland maximise its expertise, technology and infrastructure in oil and gas industry to secure the industry’s future as reserves decline? What support is needed from Government to maximise these opportunities?

Written submission from Shetland Islands Council – Submission deadline - 13th July 2018

Shetland and Shetland Islands Council has performed a key role as partners in the whole life-cycle of Oil & Gas discovery and extraction in the Northern North Sea and West of Shetland. That role has been pivotal to effective and efficient recovery of much of the UK’s oil reserves in an environmentally sensitive manner. We believe that Shetland, the Sullom Voe Oil Terminal, Total Gas Plant and the Port of Sullom Voe (the Shetland Hub) can continue to fulfil an important function in maximising the future economic return from Scotland’s still substantial oil and gas reserves and ensure that future developments are not driven by cost alone but continue to recognise and protect our rich marine environment.

The UK Oil and Gas industry has developed and adapted throughout its lifespan. That flexibility and ability to change and evolve will continue to be a critical factor into the future. One very material consideration of key relevance to production in the vicinity of Shetland will be the export strategies adopted by West of Shetland producers and how that can complement and enhance the viability of continued production from the Northern North Sea.

It is likely that the balance of production will continue to shift from the Northern North Sea to West of Shetland and the most effective arrangements to reflect that shift will be required at the Sullom Voe Oil Terminal to ensure that opportunities to best utilise its facilities and continue to benefit from the collaborative gains that such a key element in the UK Oil & Gas infrastructure can bring. All current and future developments in this area must be particularly sensitive to the need to protect this very rich marine environment and its critical significance to the Islands and Scotland.

A critical factor in maximising benefits going forward will be the effective collaboration and cooperation in utilising strategic assets like the Shetland Hub to ensure developments are planned and
executed strategically with due regard to the long-term and the efficiency and environmental benefits that coherent use of these key facilities can deliver.

The UK Oil and Gas Authority (OGA) have a pivotal role in achieving those synergies and ensuring that investment decisions are made with full regard to overall impacts. It is a key purpose of the OGA to ensure that strategic developments with demonstrable long term benefits are not frustrated by things like the transfer of decommissioning liabilities limiting innovative development or difficulties around collaborative decision making stymieing co-operative progress. Sub-optimal decisions by individual companies driven by the avoidance of risks though to be inherent in collaboration and co-operation is in no one’s long term interests.

Shetland had been an exemplar in serving the oil industry and at the same time protecting our marine ecosystem. Shetland Islands Council, and Shetland generally, are ready and willing to continue to play our part in developing and protecting that rich marine environment. We are confident we can fulfil an important role in meeting new challenges and continuing our significant participation in an industry which we believe still has a long and productive future.

Ends..........................................

John Smith

Director of Infrastructure

12th July 2018

July 2018