

Scottish Affairs Committee

Oral evidence: [The future of the oil and gas industry](#)
[, HC 996](#)

Tuesday 12 June 2018

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Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney; Christine Jardine; Ged Killen; Paul Masterton; Tommy Sheppard; Ross Thomson.

Questions 1-85

Witnesses

I: Deirdre Michie OBE, CEO, Oil & Gas UK, Dr Alix Thom, Workforce Engagement & Skills Manager, Oil & Gas UK and Jenny Stanning, External Affairs Manager, Oil & Gas UK.

II: Sir Ian Wood GBE, Chairman, Opportunity North East and Tommy Campbell, Chair, Offshore Co-Ordinating Group.

Written evidence from witnesses:

– [Oil and Gas UK](#)

Examination of witnesses

Witnesses: Deirdre Michie OBE, Dr Alix Thom and Jenny Stanning.

Q1 **Chair:** I welcome our first three guests to our oil and gas inquiry. Thank you very much for helping us out this morning. I understand that congratulations are due to Ms Michie on her CBE, so from this Committee very well done. We like to see champions of Scottish industry being rewarded. For the record, could you say who you are, who you represent and anything by way of a short introductory statement? We will start with you then, Ms Michie.

Deirdre Michie: Thank you very much, Chair. Maybe I could start with a slight correction: it was an OBE, but there we go, and I am very delighted. Thank you for your congratulations.

Thank you, Chair, and thank you, Committee. I am really pleased to be here today. As the Chair said, my name is Deirdre Michie. I am the CEO of Oil & Gas UK and I am here with two of my colleagues, Alix Thom and Jenny Stanning. We really appreciate the opportunity to come and speak with you this morning and give evidence and the fact that you have interest in our industry and its future. What we would like to do is give you an overview of the issues we have been facing, the progress that we think we have made and the outlook that we see for the challenges and opportunities going forward.

If I can remind you who we are, Oil & Gas UK is the industry organisation representing the offshore oil and gas industry, and we are very focused on producing evidence-based fact and data so that it can inform policymakers and key stakeholders like yourselves. We represent operators across the whole of the UK and a significant part of the supply chain, so we like to say it is from Shetland in the north to Southampton in the south and everywhere in between.

You will be aware that we are coming through a very significant downturn in which many jobs have been lost and activity has dramatically reduced. Having said that, we have made some very good progress and we have worked really hard to improve our position. Now we consider that we are a much more competitive basin as a result of that. We still have significant challenges, and as you go about your review you will certainly come across those. Our supply chain continues to be under real pressure and drilling activity is at an all-time low. The concern about that is that post-2020 we start to see production dropping off.

Moving forward, our focus is very much on maintaining and safely delivering a competitive basin and delivering on the competitive position safely that we have done. We want to encourage investment and activity back into the basin and we want to start positioning ourselves for a longer-term future. We talk about Vision 2035, which we would like to speak about, and part of that is ensuring a sustainable future for this industry as well as helping to move the economy towards a lower carbon



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future. That is a summary in a nutshell, and maybe I could pass to my colleagues Alix Thom and Jenny Stanning to introduce themselves.

Dr Thom: Good morning. I am Alix Thom. I am Workforce Engagement and Skills Manager at Oil & Gas UK, and my area of expertise is employment policy, immigration and industrial relations.

Jenny Stanning: Good morning. I am Jenny Stanning. I am the External Affairs Manager at Oil & Gas UK. I have led for the organisation on developing a sector deal for the oil and gas industry and I am very pleased to answer any questions you have on that or anything else.

Q2 **Chair:** We are grateful. Thank you for a very concise opening statement. We understand that the oil price has increased, which has changed the UK's oil and gas fortunes. Could you talk us through exactly where we are, with your assessment of the opportunities and challenges that present themselves, and maybe even talk a little bit about some of the challenges we are facing generally in the offshore sector in oil and gas?

Deirdre Michie: As I said, the last couple of years have been really difficult for the industry, and I think people have very much recognised that. We have had significant job losses, but when you look back, as the oil price crash hit, just prior to that when it was at its all-time high, companies were already starting to address their cost base because it was getting out of control, to be quite frank. When the oil price crash hit, that brought things into really sharp focus. There was a time when it was all about job cuts, pressure on the supply chain, rates reductions, and very much the feeling that the oil price would get us out of it: that is what had happened in the past so why would it not happen in the future or currently?

As we went through 2015, it became clear that that was not going to work. You saw companies saying, "We need to do something a bit differently than what we have done before". That is where you saw companies coming together to work and to really challenge their cost and also improve the way they did things in an efficient way, looking at innovative ways of working and working collaboratively. As a result, we started to see efficiencies coming in that were contributing to the cost reduction in the basin. We have reduced our lifting cost—that is the cost of taking a barrel of oil out of the basin—from \$29 at an all-time high down to \$15. We still need to keep focused and challenged on that. Part of it was about rates cutting, as I said, but we also think, having done an independent assessment, that about two-thirds of that is sustainable going forward as we go through any uptick. So, there is a lot of progress.

We also work closely with both Governments. We consider we have a much more competitive fiscal regime. We have had the introduction of the Oil and Gas Authority, which has been an enabler of a better regulatory regime. These components, when you put them all together in a jigsaw, mean that we have a better basin that is starting to attract investment back. We saw a lot of merger and acquisition activity last year



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and that was very much a result of investors looking at this basin and thinking, "The costs are in a better position, it is more efficient, we still have lots of hydrocarbons to go after, access to market; why wouldn't we put our money here rather than anywhere else?"

There is always a "but", Chair, in this conversation. The challenges are, as I said, that our drilling activity continues to be at an all-time low, which means that you have to explore, appraise, develop, produce and then decommission, and if you are not filling that funnel with lots of exploration, the opportunities you are turving up get reduced. Our concern is that with the low levels of exploration as we look post-2020, as I said, we will start to see production falling away. We have actually managed to increase production, because of the improvements in our efficiency, by 16% over the last four years, which is extraordinary for a basin as mature as ours. The challenges are maintaining our competitive position, attracting investment, encouraging activity, and also our supply chain, which continues to be under significant pressure with the margins that it is currently having to deal with.

Q3 Chair: We will want to touch on all these issues and explore a bit further with you in the course of the next hour. Could we get a sense now from you as to how large the UK's remaining reserves are and how long they can continue to provide energy to the United Kingdom?

Deirdre Michie: The OGA estimates that there are between 10 and 20 billion barrels of oil equivalent still out there. When you compare that with where we have come from, we have taken out 44 billion barrels to date, so you could say that there is another third of activity still to go after. When you break that down into how long that can sustain us for, as I said, we have Vision 2035, in which we are looking to extend the productive life of the basin well into the 2030s and beyond. That is by looking to delay the rate of decline in the basin through maximising economic recovery. We consider there is a long-term and sustainable future for this industry if all things come together and we continue to work in the way we have been working.

Q4 Chair: How much of the remaining supply lies off Scotland's coast as opposed to the rest of the UK?

Deirdre Michie: It is quite difficult to estimate. The majority does. Probably about 80% lies off the coast of Scotland when you are looking at the north-east and then west of Shetlands. When you are talking about gas, again the majority, about two-thirds, is in the Scottish waters and probably about a third in the southern North Sea.

Q5 Ross Thomson: Deirdre, I want to pass on my own personal congratulations on your OBE. I know how hard you work and how well deserved it really is.

Deirdre Michie: Thank you.

Ross Thomson: My supplementary to the Chair's question is that Alex



Kemp, who you will know from Aberdeen University, produced a report in which he said that we were getting to our peak with 11 billion barrels of oil by 2050, but there was still unexploited potential within 183 fields. Do you agree with his assessment and what do you think we need to do to help recover the full potential in the North Sea?

Deirdre Michie: In helping to recover the full potential, we know where we have proven and probable reserves. They are on the books and companies are continuing to work them. You then have another—and it is at the average range—about 7 billion that people are aware of. They are contingent reserves and they tend to be blocked by commercial issues or technical issues. That is where you need to be doing things a bit differently, bringing in technology and looking to unlock those as well. Then you have a third category, which is the yet to find, which is out there and is very much based on industry's experience and their understanding of the geological landscape.

There are these various categories, and you need to make sure you optimise each as effectively as you can because in that way you can then ensure that you have a sustainable industry going forward. If we do not make these interventions, we could end up coming to an end more prematurely than otherwise, but I think we are doing the right things in those areas.

Q6 **Christine Jardine:** I would also like to add my congratulations. Following on from what Ross was saying, over the years we have talked a lot about fields that are difficult to exploit and recover. How many of the reserves that are left would you characterise as being fields that will be difficult and perhaps marginal to exploit?

Deirdre Michie: We have a classification called small pools, which covers hundreds of small areas, small accumulations—anything from 3 million to 50 million barrels. Part of the efforts of industry has been to see how we can unlock those from a technological point of view. That is something that the Oil & Gas Technology Centre is very focused on, and also on more effective ways of working.

The contingent reserves of about 7 billion are there and companies need to be really thoughtful about how they seek to unlock them. I can give you an example of Penguins, the Shell one that was recently announced at the beginning of the year. That has been on Shell books for years because they found it, but they could not quite unlock it because of the technological issues that surrounded it. They have managed to do that through technology, through different ways of working, and I think that is what we need to apply to this 7 billion of contingent reserves that are more challenging than the proven and probable that we are more confident about.

Q7 **Deidre Brock:** We have seen big investment from Total, Shell, BP. BP has opened up two new fields in Alligin and Vorlich, so there is obviously still activity going on and confidence in the sector.



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Deirdre Michie: Very much so, and last year we saw a lot of merger and acquisition activity. We took that as a sign that people were looking at this basin very positively because they are not going to come in and look to buy assets unless they are seeking to invest in them in the longer term. We are seeing things becoming more positive. When we did our business outlook at the beginning of the year, we identified 12 to 16 projects that were on company books that we felt could be unlocked and would add another £5 billion of investment to the basin.

The challenge is to get them unlocked and there is a genuine dilemma in the industry at the moment. You have operators who still have very tight budgets. Although they are cash positive for the first time in a number of years, you also have a supply chain that has very tight margins, some of them unsustainable. You put that together and you have a dilemma: how can you unlock the opportunities that are there? That is where your collaborative working and your innovative approaches come in.

We overused the phrase last year of cautious optimism and then we shifted to determined optimism this year, and I think that is where we are at the moment, albeit not wanting to undermine the fact that the challenges are still there.

Q8 **David Duguid:** Let me add my own congratulations just very quickly and get that out of the way.

You mentioned about the small pools and other contingent reserves that are considered hard to find. You mentioned Penguin; I think Clair is another great example. By the way, I should declare an interest. I spent 25 years in the industry before being elected to this place last year, so I am very aware. I remember looking at maps throughout the 1990s, the classic oil map around the UK, and the Clair field out west of Shetland that was this huge lump of green or red. I cannot remember which colour it was. It was always there and it was not until relatively recently that it was actually exploited. My question is whether it is fair to say that we are currently exploiting resources that 20 or 30 years ago would have been considered almost impossible.

Deirdre Michie: Absolutely, and I think that is the history of this basin. Initially, when you had your Forties and your Brents, they were big, huge accumulations that were—I use my words advisedly—relatively easy to exploit. As we have seen the shift as we moved from those big fields, we are now into much smaller, tougher accumulations, and that is what we are having to deal with as an industry.

The downside is that it becomes complex. Your infrastructure becomes complicated as well. The upside is that you become very skilled in it and you develop an expertise, which as an industry we can then look to export to the rest of the world. If you think about it, every other basin is a maturing basin, so we have that advantage that we should be using to our own ends.



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- Q9 David Duguid:** Moving on to the question I was going to ask, you have talked about the lack of exploration at the moment, which is obviously a worry for the reasons you have already explained. In your written evidence, you said that the UK needs to ensure there is a strong investment case for companies to continue exploration activity. Bearing in mind the lifting costs that you have mentioned, which are still relatively high compared to the rest of the world, although they have been reduced, what other factors make the UK attractive?

Deirdre Michie: In terms of exploration generally?

David Duguid: In general, but specifically for exploration.

Deirdre Michie: I think they are the same kind of criteria so, as I said, a cost base that is competitive. As you say, we are still one of the most expensive for average operating cost, but when you add up the fact that we have a competitive fiscal regime, opportunities to go after, a well renowned supply chain and access to market, you put all that together with an enabling regulator and that is what attracts people to put their money here rather than in other basins around the world.

- Q10 David Duguid:** What about our record on safety and security? Does that have an impact on foreign investment?

Deirdre Michie: I would hope that it does. If I can build on that, safe operations are at the heart of everything we do. We are a major hazard industry and we have to make sure that we continue to deliver effectively in that space. Last week, we had a Safety 30 conference in Aberdeen, which was very well attended by over 700 people, and it was about reflecting on the lessons of Piper Alpha, looking at how we are doing as an industry today and then looking to the future to see how we can introduce technology to reduce exposure to hazards.

We are seeing that the trends in our performance are improving as an industry in a safety context. Having said that, though, I do not want to sound complacent at all. We use this phrase “chronic unease” in the industry—you will be familiar with that—where basically we want to constantly be on the lookout for issues, but the trends are supportive that we are doing the right things.

Having said that, and I will probably pre-empt a question from some of you, we have recently been challenged by the HSE in relation to hydrocarbon releases. They did acknowledge that we have significantly reduced our hydrocarbon releases over time and our dangerous occurrences, but they are concerned that hydrocarbon releases are a very big deal and, although we have reduced it so we are probably looking at a major one annually, their concern is that we need to do more in that space. They have written to the operators, and we are looking to respond to them as an industry in short order.

- Q11 David Duguid:** May I convey my apologies for missing that event in Aberdeen last week? I had business down here, of course. Finally, last



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September the Chancellor of the Exchequer announced funding to survey under-explored areas. Has this process started yet and, when it does, what impact is that likely to have?

Deirdre Michie: I am not sure, is the answer. We can find out. In terms of the support that has been provided for seismic activity, moneys have been spent by the OGA and we have seen that seismic activity being released and generating more interest. When we are talking about exploration—and thank you, because I probably should have referenced that earlier—it has provided more data to companies that are looking to explore. As a result, we had a relatively successful 29th licensing round that attracted 17 companies looking to explore. That was a result of more data being available and the OGA offering up frontier areas that will hopefully again unlock more exploration going forward.

- Q12 **Deidre Brock:** Getting back to the discovery and potential of oil and gas in Scotland, if I may say, Ms Michie, you sound a little bit downbeat about it. I do not want to put words in your mouth, but I am looking at an article in *The Herald* from January. BP is spending billions in recent years developing new fields. It talks about the Achmelvich and the Capercaillie field. There are staff at BP describing the find as exciting. Regional president Mark Thomas said, “These are exciting times for BP in the North Sea as we lay the foundations of a refreshed and revitalised business.” Then, “Interest in the west of Shetland area is surging among oil and gas firms with exploration well numbers set to reach the highest level since the price of crude oil plunge started”. I am trying to get a sense of where the oil and gas sector is because on the one hand we have some very positive reports, yet you are talking about being determinedly optimistic, which I think is great, but I am just trying to get—

Deirdre Michie: It is a balance and it is a challenge. On the one hand, we are seeing people recognising there is a future, looking to put their moneys in, but we have come through one of the most challenging downturns; we have seen capex reduce significantly and we have seen jobs being lost. When I talked about the supply chain, we do understand that parts of it continue to be under a significant pressure. It is quite a fine balance between saying we are doing all the right things, we are putting all the right building blocks in place, we are making progress, but when we look at our exploration levels, our drilling levels and our production post-2020, there is a challenge that we need to make sure is on the table and people are clear about.

- Q13 **Chair:** Why have you set this date of 2020? You have referred to it on a couple of occasions when your expectation is a downturn in production. Is there any research or anything that backs up this date or is it just a date that you have—

Deirdre Michie: That we have just come up with?

Chair: Yes.



Deirdre Michie: No.

Chair: I am not presuming that you have, but maybe you could help us to understand a bit more why you believe it is at that point that we start to move.

Deirdre Michie: Yes, absolutely. It is the projections, again projections from the OGA. When they look at operator projections forward, they are able to then estimate how they see those manifesting in an industry context. Our understanding from our operators is that they will continue. You will see new fields coming on and further developments on existing fields. That will help to add to the production itself, but then when you look post-2020 you are starting to see fields either reducing or moving into cessation of production and then into decommissioning, and that is when you are seeing the decline starting.

Q14 **Chair:** I am presuming that is not set in stone if other new discoveries were to emerge or it became much more productive.

Deirdre Michie: That is exactly right, Chair, and that is what we are trying to do. We can see it coming, so what can we do to mitigate it or to push it out for as long as we can? That is what maximising economic recovery is all about.

Q15 **Ross Thomson:** In 2015, as you said in your opening statement, we saw the oil price crash. As an elected representative, I have seen the impact that has had on the City, across the hotel trade, the licensed trade and, believe me, the taxi trade because I hear about it every week. What has the impact been on the industry itself, particularly on personnel?

Deirdre Michie: Alix, do you want to take that in terms of jobs?

Dr Thom: Yes, certainly. I do not need to say to you that we have experienced something of a real cut in roles, and we are not out of the woods yet, it has to be said. Just in the past month we have had three companies announce further job losses. We are able to say that the rate of contraction has slowed considerably. Last year we saw a 4% reduction in jobs compared with 19% the year before and 15% the year before that. Things are stabilising, which is obviously a good sign.

We are very conscious of the human cost of what has happened. We have been supportive of initiatives such as the Energy Jobs Taskforce, the talent retention scheme set up by BEIS, and so on, to assist people as much as we can who have been impacted by this. We are now anecdotally starting to hear companies talk about possible shortages in the future if the activity, as we hope, begins to grow.

Q16 **Ross Thomson:** We all know that, as you said in your opening statement, the oil price does fluctuate. Previously, there had been an assumption that when the price goes up that sees us out of the woods. We have seen with the fall in oil price how companies have changed their behaviours and they have worked better together. Some of the very



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fierce competition that sometimes happens in the North Sea has reduced with more collaboration. When the US pulled out of the Joint Comprehensive Plan of Action in relation to Iran, the oil price started to creep up again towards \$80. What is the risk of an increasing oil price on the behaviours that we have seen in the North Sea and us going back to the old ways rather than continuing to be progressive?

Deirdre Michie: I think that is a really important point and we are concerned about that. Having said that, the outlook for oil on the forward markets is between \$60 and \$65. We are long-term investors and that is what companies tend to plan on.

What we have to do is drive a focus on the costs and efficiencies and get people excited about the fact that they have brought in this innovative way of working, brought in these efficiencies, and almost separate ourselves from the volatility of the oil price. Our focus should be on relentlessly improving what we do in relation to our business year on year. Of course, we need a price for our commodity so I am not separating it overall, but that is what we are trying to do in changing the mindset so that we are not so fixated on the oil price. We obviously need an oil price to pay for the commodity, but we need to distance ourselves from that.

The outlook is \$60 to \$65. We are a long-term investment industry and that is why when we ask Government to support the Driving Investment plan, we also ask them to be thoughtful about the longer-term implications for the fiscal environment, because it needs to support longer-term investments for the basin.

Q17 **Ross Thomson:** As you know, one of the impacts on the oil price was the booming shale gas industry in the US. What evidence have we seen of some of the major companies in Aberdeen in Scotland and in the UK looking to turn their operations to the US? If we do not have that industry in Scotland—whether that is PR gloss or not, of course, we do not know—what is the impact potentially on jobs in the north-east if we do not embrace the shale gas industry here?

Deirdre Michie: Our focus is on the offshore and ensuring that we have a good indigenous industry in the offshore context. I guess shale is a question for the politicians rather than for myself.

Q18 **Ross Thomson:** That was very coy. That is why she got an OBE. Lastly, because we have seen these real fluctuations on price, one of the great selling points of the North Sea is stability. We have seen fiscal stability, which is welcome and that needs to stay, but there is still political uncertainty about the future of Scotland and its place in the United Kingdom. Does that have an impact on operations at all; on people's future investment decisions? I would be grateful for any feedback that you have had on that matter, too.

Jenny Stanning: You will not be surprised to hear me say, Ross, that Oil & Gas UK is an apolitical organisation.



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Ross Thomson: Of course you are.

Jenny Stanning: We have not taken a view on Scottish independence. We think that is a decision for the politicians to deal with and, as Deirdre alluded to earlier, we focus on the outputs and the levers that you guys control to best support the industry.

Ross Thomson: Yes, in line for an OBE.

Q19 **Chair:** Of course, we were discussing instability. There is this little issue of Brexit that will be consuming this House today. You said something very curious, Ms Michie, which I would like to pick up and explore with you further. You said a phrase like “distancing yourself from the oil price”. Can I ask you to expand on that a little bit? Is that other activities, decommissioning, some of the environmental issues, expertise in subsea development? Tell us what you mean by that.

Deirdre Michie: Yes, sorry, and thank you for allowing me to clarify. What I am trying to say is that we should not be so fixated on the oil price that it drives our behaviours. We should be looking to have an industry that can manage the volatility. That is what I was trying to say and obviously I did not say it very well, so apologies. Does that make sense, Chair? I would like to go on and talk about how we as an industry and our members are looking to diversify and to move into other areas.

Q20 **Chair:** We will get into that but, yes, it does help a little bit because I think we all understand your challenges when it comes to volatility, given the volatility we have seen in the last few years. I am interested in how you can prepare for volatility. You are hoping you can get reasonable stability at \$60 to \$65 for a barrel, but say it collapses again down to levels that we saw just last year or 18 months ago. How can you prepare for that? What do you have at your disposal to accommodate something like that?

Deirdre Michie: It is very difficult, and I do not know that we would ever have the answer if the oil price were to collapse completely. What I think we can do is as the oil price moves around we are clear that our cost base is a competitive one, we keep becoming more and more efficient in what we do and how we do it, and that we do that to ourselves and we export that expertise elsewhere. It is very much about trying to be relentlessly focused on constantly improving our competitiveness so that we can compete with other basins for investment.

Q21 **Deidre Brock:** Alix, you have already talked about some of the measures that you are taking to help the jobs market in the oil and gas sector, so thank you for that. Previously when you appeared before the Committee—I think it was on the immigration inquiry—someone appearing alongside you thought at the time that Brexit’s impact on jobs was not going to be a particular issue for her sector, which was life sciences. I think at the time you thought that other Brexit-related issues might be more of a concern for the sector, and I wondered if you could expand on that. In terms of jobs, could you expand on that a little?



Dr Thom: Yes. I remember that session. What I was referring to was the fact that we do have a significant proportion of people in our industry from other EU countries and, indeed, from outside the EU. It is only four or five years since we were absolutely screaming for people, and our members identified skills shortages as their second biggest challenge. As activity grows—if we do not have access to resources in the future, that will be a challenge for us. As I say, we are already starting to hear some of our companies talk about shortages as people have left the industry and we have the challenge of attracting them back.

Q22 **Deidre Brock:** Are you sensing anything from Europeans, for example? Are they thinking twice about coming over to the sector here?

Dr Thom: We have certainly had members report that they have lost Europeans who were not sure what was going to happen going forward.

Deidre Brock: The uncertainty risk?

Dr Thom: Yes, the uncertainty.

Q23 **David Duguid:** To expand on Ms Brock's question, Alix, I remember that session as well. I know you are all going to say you represent an apolitical organisation. However, I feel I must ask the question. Having worked in the industry, I have worked alongside many fellow employees from the EU, but mostly I would probably suggest from outside the EU. They were mostly from the UK itself, but most of the non-UK workers I worked alongside were from outside the EU. Are you seeing a similar challenge from people outside the EU?

Dr Thom: You will be aware that there is a challenge for the country overall for people outside the EU because for six months in a row the number of visa applications has outstripped the number of visas available. At the moment, that is not too much of a problem that we are hearing about, but we know that people are concerned about it and also the system itself as being expensive and cumbersome. I think we talked about that last time. We would not want to see that same system applied after Brexit to visas.

Q24 **David Duguid:** Finally on this point, I have also heard anecdotally that companies based in Aberdeen are struggling to find people from the rest of the UK since the introduction of the higher income tax in Scotland. Is that something that you have come across?

Dr Thom: I have not heard anyone specifically mention the higher income tax to date, but certainly people are starting to talk about shortages ahead.

Q25 **David Duguid:** On the shortages, one of the last jobs I did as a consultant in the industry—I will not name the operator—was back in 2015 when operators were really struggling to find people. They changed their offshore rotas from a two and three to a three and three, not so much to save costs, because the cost savings were negligible, but to



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make more use of the limited resources they had because they were struggling to find people at that time. A lot of that was to do with the ageing workforce. There has always been this 10-year gap when the industry was not hiring back in the mid-1990s, I think it was. Is the ageing workforce causing a problem?

Dr Thom: We are about to publish our latest workforce report and, again, it shows that the average age of the offshore workforce, for example, is around 42, which you would expect in a normal distribution. That has been the case for a number of years. It has gone up slightly in the last couple of years, which we would expect because when there has not been much hiring at one end, then everyone is getting a little bit older so the average moves out to the right. No, the demographics show that that is not the case.

Q26 **Paul Masterton:** My experience with the oil industry is in my previous role as an advisory element on the legal side. One of the things that I tended to see with staffing was that when there was a marked downturn there would be huge swathes of layoffs largely immediately and then, lo and behold, a couple of years later things would start to pick up and there would be intense competition to try to bring people back into the industry. I appreciate that the way the costs work in the industry can be very expensive, but there did always seem to be a slightly short-termist thinking about staffing, which meant that when there was an uptick again the shortages became very pronounced very quickly and the people within the industry had a bit more say about where they would go. Are we still seeing that, or are companies, now that things are perhaps starting to settle down a bit, doing much more long-term thinking about their staffing and identifying where they are going to get skills from? For example, they might look among people who have been in the industry a long time but also they might try to attract people coming through the engineering, STEM and other such routes out of university?

Dr Thom: I would say the industry has not stopped trying to attract people, particularly young people, to the industry through STEM routes. Throughout the downturn, graduate recruitment and apprentice recruitment has continued, I have been pleased to say. In one of our industry schemes, the one supported by 16 companies, we are going to be taking 90 apprentices in September this year, which we are very pleased about. We have come up from 55 just two years ago.

We have never stopped, as an industry, having a long-term focus in needing to attract people. Activity with schools and universities has not stopped during the downturn, and that continues. We are very active as individual companies and as an industry in promoting STEM and, in particular, trying to encourage more young girls and women to take STEM subjects and come into STEM roles. We are involved with Women in Science and Engineering, the Women's Business Council and other organisations, and we run a number of programmes in the industry, such as Shell's Girls in Energy, for example. We have started a diversity group this year in the industry. We have more than doubled the number of



female applicants for the apprenticeship scheme this year. We have a long way to go. We have not cracked that yet, but we are certainly working on it.

Q27 **Ross Thomson:** This question follows on very nicely from the discussion we have already been having. What challenges does the industry face in attracting the skilled and experienced staff that we need, particularly if we want to meet Vision 2035?

Dr Thom: I think there are a couple of challenges. One is our perceived reputation with young people, which we cannot shy away from, as being an industry that deals with dirty fossil fuel, which we are obviously working to address. The other is the perception that the industry is in a sunset phase and that it is unstable. One of the challenges that we have as we come out of this downturn is offering long-term and stable employment. I am sure Tommy Campbell, who is speaking later, will touch on this, but one of the positive things that has been in the OCA negotiations this year has been the retained contract model, which is aimed specifically at addressing that instability.

Q28 **Ross Thomson:** If we are not able to attract the people we need, what is the impact going to be on the industry?

Dr Thom: It will have a direct impact on production. For example, if we go back to the overseas personnel, a lot of our shipping crews come from overseas. If we cannot crew emergency response vessels, a platform cannot produce. It is as simple as that.

Q29 **Ross Thomson:** To follow on from what my colleague Paul Masterton was asking about, I have experience of that. When the industry contracts and it loses good people, they will move to another part of the UK to find work. I was in the Scottish Parliament at the time and we lost a case worker because she moved with her husband. We have lost teachers in schools because they have moved with partners to other parts of the country. When that happens, what do you think we need to do to try to bring these people back? Is there anything we can do to incentivise that, to bring these people back? I also heard, again anecdotally from visits, particularly in the black trades, that is something where people like Rex and all the rest of it have said to me they have really struggled to attract people.

Dr Thom: Yes, and that is where we are hearing the immediate shortages will be. People are being able to find work from those trades, for example, in some of the large infrastructure projects such as HS2 and Hinkley Point C. All of these are going to soak up large amounts of labour and that comes back to our ability to offer stable and long-term employment.

Q30 **Hugh Gaffney:** Congratulations as well on behalf of the Labour party on your OBE.

Deirdre Michie: Thank you very much.



Hugh Gaffney: Subsea extraction is considered one of the most technically difficult aspects of the petroleum industry. What opportunities are there for Scotland to export this knowledge to the rest of the global world?

Jenny Stanning: As part of our pan-industry approach to develop a sector deal we have identified subsea—we are calling it underwater because we think it is multisector; it is more than oil and gas, it is renewables, aquaculture, defence—as an area where we have world-leading expertise, as you quite rightly say. We want to build on that, and what we have suggested is a multisector hub based in Aberdeen but servicing the whole of the UK, reaching out to the pockets of expertise that we have right across the UK and in Scotland. In Scotland, I can think of the Underwater Centre in Fort William, the newly announced subsea centre of excellence in Montrose that has just received funding from the Scottish Government, and then down into Tyne Subsea in the north-east of England, right down to Southampton as well. This multisector hub based in Aberdeen but servicing the whole of the UK would be one brilliant way of drawing together all of that expertise and then allowing us to export it out to the world.

Q31 **Chair:** I am looking at some of the figures here. It is quite remarkable what we have for subsea: 40% of the world's subsea wells are located off the shores of Aberdeen and the SDI has said that 74% of global industry figures recognise Scotland's position as an important training ground for the global industry. You never hear much about this part of the oil and gas sector; about our excellence in subsea development. Is this something that you are going to make a bit more of as you go forward, again when you are looking to get off the oil price hook? Is it these sorts of things that we should be looking at for the industry going forward?

Deirdre Michie: The fact that you are saying that you are not hearing about it really speaks to the fact that we do need to do more in that space. As an industry, probably we have taken it for granted that we are leaders in this space, but we recognise that there is more to be done in the subsea context because of the export opportunities that are there. As Jenny was saying, we do see that as an opportunity going forward.

Q32 **Christine Jardine:** Following up on that, I remember about 20, maybe even 25, years ago Sir Ian Wood said that much of the future of the North Sea lay elsewhere in terms of exporting expertise, technology and equipment that had been developed for very difficult conditions. Is that a thread that will have to continue and do you still see that perhaps part of the future lies elsewhere?

Deirdre Michie: I think it is a mix. Vision 2035 that I spoke about earlier is absolutely extending the productive life of this basin and then looking to encourage the supply chain, which currently has 4% of the global market. The aspiration is to double that, but you need to make sure that you have a productive basin that the supply chain can be anchored to and from which it can go forward into the rest of the world. Absolutely. I think



we are still very much on that track and that is how we see this industry sustaining itself for the longer term.

Q33 Tommy Sheppard: I want to talk about your relationship with the renewable sector, but before getting into that, just generally—because we have not mentioned it thus far—could you say something about your perspectives on the debate on climate change and global warming? I expect as our inquiry goes on we may well hear evidence from people on the other side of the debate who will say that if there are still resources in the North Sea, we should probably leave them there and look now at a phased decommissioning programme and a major shift to renewable resources. Perhaps you will say you do not have any view on this, but do you have a view on the weight of scientific evidence about the contribution that burning hydrocarbons makes to climate change? What would be your response to that, as an industry?

Deirdre Michie: We recognise the challenges of climate change. As an industry, we want to work to be part of the solution and part of the transition to a lower-carbon future, which we believe we can be.

We need to have a managed transition. Government figures suggest that even in 2035 and beyond, up to two thirds of the UK's energy demand will have to be satisfied by oil and gas. It is far better to have that done by an indigenous industry that is contributing to taxes, skilled jobs and security of energy supply than to have to rely on importing from areas where you cannot regulate, cannot control the CO₂ impact; of course, the further you bring it in from, the bigger the CO₂ footprint. I would argue that an indigenous industry can make a very positive contribution to the UK moving to a lower-carbon future. When you look at the types of hydrocarbons, we know that gas, and the shift from coal to gas, has already made a significant impact on the UK's emission levels. We believe that as we go forward, gas can continue to make that positive contribution because its emission levels are much lower than coal's, for example.

We are part of the solution. Obviously, hydrocarbons have been part of the problem, but going forward, if we want a managed transition that can support the introduction of renewables, which cannot just be there overnight, we are going to have to work very closely with them and in support of each other. We are starting to have conversations with the renewables and other sectors. There is clarity from all sides that we are not in competition any more because we all need each other for the longer term.

Q34 Tommy Sheppard: Can you give me some examples of what you mean by how your industry can contribute to a low-carbon future?

Jenny Stanning: One of the other hubs we are proposing as part of the sector deal is essentially a bolt-on to the Oil and Gas Technology Centre, which would be a centre focused on transformational technology, which is about using the expertise that we have in the oil and gas industry to



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support our place in a low-carbon future. It is a tangible bolt-on to the Oil and Gas Technology Centre that would focus on that role.

Q35 **Tommy Sheppard:** Like what?

Jenny Stanning: It would look at the technologies that we already use in oil and gas and see if we can apply them to renewables, the development of renewables, and sharing the expertise and exporting that too.

Q36 **Tommy Sheppard:** Can you give me an example?

Jenny Stanning: The bolt-on centre is not there yet. That is what that would be looking at. It would be trying to take some of the expertise in oil and gas and applying it to the renewables centre.

Q37 **Tommy Sheppard:** A lot of your members have already begun diversification, haven't they?

Deirdre Michie: Yes.

Q38 **Tommy Sheppard:** You represent some big companies that have a stake in the renewables sector.

Jenny Stanning: Absolutely.

Deirdre Michie: The big companies are already shifting and so is a considerable part of our supply chain. When we held a joint council in Aberdeen the other day, we asked the question, and over 50% of our members in the room said they were already moving into that space. They do not see it as something that is a contradiction. They see it as a natural evolution of their business and their business model. I think that is great.

Q39 **Tommy Sheppard:** Have you made any assessment of the extent to which skills and technology can be reapplied to the renewables sector?

Deirdre Michie: No, a skills review has been undertaken by our skills body, OPITO, and Robert Gordon University, which looked ahead at the kinds of skills requirements. I should probably hand over to Alix at this point.

Q40 **Ged Killen:** The UK Government strategy, which was first proposed in the Wood review, is to maximise the value of economically recoverable petroleum in UK waters. What impact has this strategy had on the industry?

Deirdre Michie: It has had a very positive impact. It came as a result of the Wood review. It has been positive and it continues to be positive. We are seeing progress in the way we are working. Your question was about the MER strategy specifically, was it?

Ged Killen: Yes. What impact has the strategy had on the industry?



Deirdre Michie: The MER strategy is being implemented by the OGA, which was set up as part of the Wood review. We are seeing progress in the areas they are focusing on: asset stewardship, operator performance, collaborative behaviours, unlocking commercial challenges. I talked about the exploration earlier and I think we are seeing some traction in that context.

Q41 **Ged Killen:** How well do you think the OGA is working with industry to support its obligations under the strategy? Is there any way that it could improve?

Deirdre Michie: It has come a long way. We do not now call it the “new” regulator. It is our regulator. It has been up and running for three years. It has done a good job to get itself to where it is. The area where we are seeing very positive support is in challenging the operators to improve their performance, through benchmarking for example. It has been developing a more flexible licensing regime, which we are starting to see the benefits of, and also the collaborative behaviours and unlocking value that way.

As it goes forward, focusing on these areas and continuing to drive them is what we need. It spent the first couple of years developing strategies and clarifying where it wanted to go. It is now about delivery and I think the OGA is very clear about that, too.

Q42 **David Duguid:** During the questions from Mr Killen, you mentioned the Wood review and Sir Ian has just joined us again. One of the things I remember from that review that was going to be very important was the idea of collaboration between the operators and across the supply chain. How is that working out from the perspective of Oil & Gas UK?

Mr Killen also mentioned the Oil and Gas Authority. I recently had a conversation with Dr Samuel, who heads up the Oil and Gas Authority. We talk a lot about innovation and about the technology and the hardware being relatively easy, although there are lots of challenges. One of the biggest challenges Dr Samuel sees, however, is in behaviours and attitudes. How are we seeing change in behaviours and attitudes, particularly towards collaboration, which maybe in the past was seen as being too competitive an environment?

Deirdre Michie: I do think we are seeing improvements. We would not have got to where we are if we were not able to collaborate and work together on a project basis. That should be clear. Sir Ian was very clear in his review that he saw behaviours that absolutely needed to be challenged and dealt with. The OGA is doing that effectively. It is not something they can talk about because it tends to be in a very commercially sensitive area, but you can hear and see the value that gets as a result. There is good progress.

When we talk about collaboration, it is collaboration between operators and it is collaboration between operators and the supply chain. We have done a study looking at how those collaborative behaviours have been



improving or not improving and we have identified that they are improving over time. We have seen that index go up.

Having said that, we do know that there are still pockets of bad behaviours between operators, between operators and the supply chain, and between supply chain and supply chain, but overall, I think, the level is improving. It is a bit like safety; you can't ever give up on it and you just have to keep going at it. I think that is the role of the OGA, and the role of industry, coming together to promote where we see great examples and great case studies of collaborative working and positive case studies of progress.

- Q43 **Christine Jardine:** What particular challenges does decommissioning pose for the industry, and are there sufficient facilities in Scotland to prevent decommissioned structures having to be sent to, say, Norway or Ireland?

Deirdre Michie: Maybe, Chair, if I could set some context on decommissioning. Decommissioning is part of the life cycle: explore, appraise, produce, develop, decommission. We see it as an ongoing part of what we do as an industry. Our focus has to be on maximising economic recovery because that is what we do, and we decommission when it is right, when the timing is right and when it is efficient and safe to do so.

On the cost of decommissioning, we hear a lot from people that this is the next industry. What I would like to reinforce with you is that it is part of the life cycle and it is not the next industry. Our emphasis should be absolutely on sustaining this industry and decommissioning when it is the right thing to do, becoming expert at it, so that we do it to ourselves in the UK and then we export that expertise elsewhere, the Decommissioning Centre of Excellence being a case in point.

The other thing to point out is that when you see these platforms being floated off to Norway to be dismantled, people get very concerned. What I would like to reinforce again with the Committee is that that is a tiny fraction of the overall cost of the project--a couple of percentage points. The real value is in the plugging and abandoning of wells, which is happening and is being done by local companies and contractors who have been working in the North Sea for years. We need to decide whether we want to cover that and we still even want to do that 2%. That is an opportunity, potentially, for the UK, but I would like people to understand the perspective on cost and opportunity.

- Q44 **Ross Thomson:** The North Sea would be the first mature field to go through decommissioning on this scale; is that correct?

Deirdre Michie: Yes.

- Q45 **Ross Thomson:** Being the first, what do you think the potential is for us to become a leader in some of the decommissioning technologies that we have developed and to make Aberdeen and Scotland the centre of



excellence for decommissioning and the skills that go with that?

Jenny Stanning: That is the third hub of our sector deal. Thank you for that question. That is very helpful. The third of the hubs that we are proposing is a Decommissioning Centre of Excellence, which has already happened. The OGTC and the University of Aberdeen have made some announcements about placing that hub in the north-east of Scotland, and that is there to capitalise on the opportunities presented by decommissioning as part of the natural life cycle of the oil and gas industry.

Q46 Tommy Sheppard: You implied that this was part of the natural life cycle of the industry and there always has been and always will be decommissioning. You accept, though, do you not, that resources are finite? You told us that there was about one third left in relation to what we have taken out. As we get towards 2030, surely the amount of decommissioning as a proportion of the industry is going to dramatically increase, is it not? As an industry, what are you doing to adjust to that?

I might as well get my second question in at the same time and you can take them both. I accept that the rigs are, as you say, only 2% of the decommissioning process, but in terms of the physical infrastructure it is quite big stuff. What are the opportunities for re-using it in other sectors or other technologies?

Deirdre Michie: Let me deal with the going forward part first. When we look out to 2035, there is still an opportunity for us to be producing a million barrels of oil a day at that point, so still a significant, sustainable industry that has been producing for 70 years, and what an extraordinary achievement that would be. The focus has to be on continuing to push out COP—cessation of production—on these platforms for as long as we can. Whether we get to that tipping point or not is a question that I think we do not quite know the answer to yet because at the moment it is 10% to 12% of the overall spend and we see that continuing well into 2025 and beyond. That is a question that we could probably answer better five years down the line. In the meantime, we focus on maximising economic production.

Your other question was about the infrastructure and it comes up all the time. Could we use it for prisons or hotels or whatever, and also potentially for carbon capture and storage? That is a question that very much sits with our regulators, so with BEIS and the OGA, who will both do that assessment as they give approval for cessation of production. Those questions are asked at that point.

Q47 Tommy Sheppard: Is there a procedure in force whereby, before you send a platform to Norway to be broken up and used for scrap, somebody asks the question, "I wonder if we could use this for something else?"

Deirdre Michie: Absolutely. The whole decommissioning planning starts from mid-cycle. That is why I said it is an integrated part of the life cycle. To get approval to move to cessation of production is a robust process



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that you go through with BEIS and the OGA. BEIS satisfies a number of criteria—safety, efficiency, social acceptability, cost, timing—and those kinds of criteria are all looked at before approval is given, plus the context in terms of the infrastructure.

Q48 Paul Masterton: This question picks up on the decommissioning questions that we have just had. I was interested in what potential specific to decommissioning you see and the wider industry sees, in terms of carbon abatement measures like carbon capture, carbon storage, building on some of these opportunities that decommissioning might present.

Jenny Stanning: We know that carbon capture, use and storage is technically viable. There are small-scale examples of that at the Acorn facility in the north-east of Scotland and around the UK. The challenge now is to make it commercially viable. Our understanding is that there is a project task force from the UK Government that has been asked to look at how you can make carbon capture, use and storage commercially viable and cost competitive. I believe that is due to report in July and we are certainly looking forward to seeing the recommendations from that because we see an opportunity for our supply chain to support the development of that industry. As an industry, that is where we are. We are waiting to see if this can be commercially viable and then if the supply chain sees some opportunities there.

Q49 Paul Masterton: Is the industry in a good position to take advantage of that if this report does suggest measures to make it commercially viable, or is there a significant amount of work to be done to be in a place where some of those opportunities could be taken advantage of?

Jenny Stanning: We are waiting to see how commercial this opportunity could be. There are certainly some examples of some small-scale carbon capture, use and storage facilities that are already going, and the technology is there. It is just a question of whether we can make this commercial.

Q50 David Duguid: Before I go on to my next question, I will shamelessly bring the conversation round to fishing, if I may. On Mr Sheppard's line of questioning on the reuse of infrastructure, you have probably heard of the proposal to use the jackets as artificial reefs that would not only boost the sea life in the area but would also, as it develops a whole food chain, increase the available harvest for the fishing industry. I do not know if that is something you have looked at, but I did want to raise that as a point. You can answer that if you want to.

My main question is: how important is technological innovation, or any kind of innovation, to the future of the sector, more so than it may have been in the past?

Jenny Stanning: As Deirdre has said, the industry is not a stranger to technology. We would not have got to where we are today had we not been pioneers in technology. The industry does some extraordinary



things, of which we are really proud. R&D and technology are at the heart of the sector deal proposals on underwater innovation, transformational technology and also on decommissioning. We have also seen a recent boost by the Aberdeen City Region Deal funding £180 million to create an oil and gas technology centre based in Aberdeen. It has been in operation for a year. I dare not steal Colette Cohen's thunder, because I know you are going to see her in Aberdeen and I hope you will hear a lot about what they are doing and what their plans are for the future, but certainly it is an exciting time for technology in the industry.

Q51 David Duguid: As you say, Colette Cohen is going to be coming to talk to the Committee at a later date.

Where is the investment in innovation technologies mostly coming from? Is it coming from industry or Government or a combination of both?

Jenny Stanning: It is a mix. We know that companies do a lot of their own R&D and have significant budgets in support of that. The Oil and Gas Technology Centre was trying to bring companies together to unlock technology and to allow them to test it in a way that they were not doing previously. Again, it is a mix. You will see companies that have their own R&D and want to maintain their own IP and there are others that are happy to come into the oil and gas technology context, where you are sharing IP and the whole thing is much more open. It has to be a mix, is the answer to that question.

Q52 David Duguid: Is there a case for increased Government support?

Jenny Stanning: There is already quite a lot of support. Our challenge is to understand what it is and how to access it. That is something that we as an organisation could and should be doing. When you ask, there is stuff there, but our members can be a bit bamboozled by what to access and how. There probably is some work to be done in that space.

Q53 Chair: We are going to the Oil and Gas Technology Centre on 25 June. The whole Committee is very much looking forward to our next trip to Aberdeen. We could not have an inquiry on oil and gas without visiting Aberdeen and looking at the new centre.

I am going to wind things up. We have to stick to time today because, as you can appreciate, there is some very important business on the Floor of the House today. This may be an unfair closing question. If there was one thing that this Committee could recommend to the Government to help secure the future of the industry, what would it be?

Deirdre Michie: Only one?

Chair: We are only going to allow you one just now, so pick that one with care.

Deirdre Michie: I will just make it a very long sentence, Chair. What we are asking yourselves, Governments, is to continue to support the industry and as we move to Vision 2035 we are asking that we think



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about developing a comprehensive energy strategy that we can contribute to and can help support the UK move to a lower-carbon economy. The other thing—because I have not taken breath yet—is strategic management of Brexit as well as, of course, support to the sector deal for our supply chain. There are a number of things that we are looking for, including support from Government and a supportive, stable business environment.

Chair: That was a very elegant one-sentence response. Thank you ever so much. Again, if there is anything you feel you could usefully contribute, please get back in touch with the Committee. It was very nice to see you all again. Thank you.

Examination of witnesses

Witnesses: Sir Ian Wood GBE and Tommy Campbell.

Chair: Good afternoon. It is quite likely, Sir Ian, that you are going to get a series of congratulations from this Committee but could I be the first to do that?

Sir Ian Wood: Please don't.

Chair: A very well deserved honour, I think the highest one could secure. We are all very pleased for you. Just for the record, please say who you are, who you represent and anything by way of a short statement. Of course, we will start with you, Sir Ian.

Sir Ian Wood: Thank you. I am going to try to represent two areas of interest to this Committee. One is that I have had the very enjoyable experience of chairing the Maximising Economic Recovery review. We learned a lot from that. The OGA and the focus on collaboration and behaviour change came from that. I think one of the questions was what were the reasons behind some of these things. I am happy to talk about that. We did a review looking back on over six years from the beginning of my review and identified probably about seven very significant opportunities that had been lost through failure to collaborate. When I say significant, this is an industry where "significant" means many tens of millions of pounds, hundreds of millions of pounds, so it was very clear that there was a case for significant change. I still work very closely with the OGA because of that and I also work very closely with some of the Government Ministers and OGUK and others.

The second area, which is probably not directly in your sights but should be, and which is taking up a lot of my time and the time of many people in Aberdeen, is the impact of the oil and gas industry in the long term. You spoke about volatility. What we have here is an industry that in terms of sustainability—and these are Alex Kemp's figures—is currently producing 1.6 million barrels of oil per day. The height, in the late 1990s, was just above 4 million. In 2050—and there is not a lot of variation in the estimates for this—it is estimated to be down to 200,000 barrels per



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day. That is 13% of what we are producing now. That is a huge economic challenge for the north-east of Scotland and for Scotland.

I have become involved in an economic development initiative called Opportunity North East, which I think is going to have an impact and which focuses on maximising the economic recovery from oil and gas with a whole range of activities. It focuses on prolonging the activity beyond the North Sea, which is all about keeping the supply in there—and that is why OGTC is very important—and it focuses on other traditional industries and what we can do to try to help them grow and develop so we can have a better balance with oil and gas. I have quite a wide range of possibilities ahead.

Q54 **Chair:** That sounds like a wide range and a very large list, still, of responsibilities, Sir Ian. Thank you for that. Mr Campbell.

Tommy Campbell: It was very interesting to hear that from Ian, and the previous speakers. I am Tommy Campbell. I am a regional officer of Unite the Union, based in Aberdeen and I am also the Chair of the Offshore Co-ordinating Group, which is made up of five trade unions covering offshore workers—BALPA, Nautilus International, RMT, GMB and ourselves. We were established just over two years ago in response to the impact of the downturn and the need for greater collaboration between the trade unions representing the workers but also—and this follows on from what Sir Ian said—so that we could tie in our links with the other organisations and groups that have a vested interest in making sure that we maximise the economic recovery. Of course from our perspective, we want to do that because we represent the workers. Never lose sight of the fact that the oil and gas industry might be about oil and gas, but it is not possible to retrieve the oil and gas, produce it and circulate it, without the work of the workers. It is because of that, and the associated issues that arise from that, that we have a vested interest.

We also, of course, fully support the recommendations that Sir Ian's report produced, particularly the issues about co-operation and collaboration. We, as trade unions, certainly want to see that happening and we want to be a part of that. We want to see the workforce's own representatives, the shop stewards, involved in that. We want to see that in all elements of the industry, the local authorities and trade unions, and also the businesses onshore. We should not lose sight of the fact that, although we make reference to offshore— Ross mentioned the taxi drivers earlier. I also represent taxi drivers in Aberdeen and, seriously, they have seen quite a cut in their incomes, on average about one third. It is not uncommon now in Aberdeen, even on a Friday night and into Saturday night and Sunday morning, to see queues of taxis lined up when once you used to have queues of people. I am quite certain that if you speak right down the line to the corner shops, hairdressers, publicans, hotels, they would say the same. It used to be that there was a significant problem with hotel accommodation in Aberdeen for offshore workers, to such an extent that offshore workers booked in overnight



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would sometimes have to share a room with a colleague, and most went along with that because of the reality of the situation, and the lack of rooms available. That has changed now. I sometimes joke and say that now sometimes in Aberdeen not only could an offshore worker have a room on their own, they might end up with a hotel on their own.

Having said that, however, there are very serious issues for workers. I will try to answer them in response to your questions, but it will be the obvious ones—offshore health and safety, the terms and conditions, the collective agreements. As I said at the start, we should not set aside the fact that at the end of the day it is about people and what is best not just for the environment but for the people living in the environment and those working in the industry.

- Q55 **Chair:** We will come back to some of those issues in just a tick, Mr Campbell, but first I want to ask Sir Ian if he remains satisfied that the Government took your report seriously and have acted fully and comprehensively on the recommendations you made? We will go over some of the specific issues. I know that Mr Thomson has questions on this, but how do you feel the Government have responded to what you recommended and suggested?

Sir Ian Wood: I did not know how that would go; I really did not know how it would go. There were two absolutely critical meetings, one was with the Chancellor and one was with the Prime Minister. Both of those were very positive and, therefore, the Government took it very seriously and have taken it very seriously. They have implemented virtually all the recommendations. One of the cruel problems we had, which was no fault of the previous regulator, was that the regulator was totally undermanned. It had half the number of people it had about 10 years ago and was dealing with about five times the number of fields. It was completely undermanned. We were absolutely verging on being negligent in exercising regulation in the North Sea. That is completely transformed.

I think you have already had evidence from OGA. What I am delighted about is that I think OGA has turned out to be a good, strong, effective body.

- Q56 **Chair:** Would you say the creation of the OGA is the most significant development from your report?

Sir Ian Wood: Probably, yes, but the change in behaviour—you are asking about the change of behaviour in the operator—is evolving. We have now definitely started a process. That is evolving and the more it evolves, the more it is going to be a very substantial part of the outcome. We have a very good OGA and it has the right balance between regulation and facilitating and, where appropriate, being the policeman and exercising the potential negative that could come about if people do not reasonably observe the recommendations. That is probably the main thing right now, but I think the behaviour change is going to be really important as well.



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Chair: I am grateful. We are going to come back to some of the issues about your report, as you can probably appreciate, given we have you here.

Q57 **Christine Jardine:** Mr Campbell, when the oil price collapsed in 2015-16, you describe it as a crisis. Do you think this is still the situation and has there been a huge impact on the workforce?

Tommy Campbell: There certainly has been quite a considerable impact on the workforce. You are looking at over 100,000 jobs that were lost. Not only those who lost their jobs but the people who stayed behind in the industry made considerable sacrifices as well. Their terms and conditions were under attack. They lost income and, even more so, there was a change to their rosters as well. They moved from 2/3 rosters or 2/2s to 3 and 3. Now over half the workforce is working to a 3/3 rota, so there have been quite considerable changes and, as I said earlier, it is not just the offshore workforce that was affected. It is the onshore workforce as well and the supply chains.

That is not just in the north-east of Scotland. It is right across the UK. Quite a considerable number of those who work offshore, particularly in the North Sea, live nowhere near Aberdeen. Some of them journey quite a distance and there is an impact on them. They may have picked up work elsewhere, depending on their particular skills.

I think the problem that the industry now has, having displaced so many—because it has just cascaded all the way down—is that the oil operators made their decisions to tighten their belt and then that was handed down the line and those people find themselves working elsewhere. They will be very reluctant to come back offshore again to find themselves in a situation where they could be employed and then redeployed again or find themselves out of work. I think that has been touched on by the previous speakers as well.

It has been quite a crisis. That is why we support the work of collaboration. We want to see it succeeding. We want to see it succeeding for everybody, not just the oil companies but those who work for all the companies, all the employers, offshore and onshore.

Q58 **Christine Jardine:** I was struck by what you were saying about the taxi ranks in Aberdeen, having spent many hours standing in ranks in Aberdeen waiting for taxis. That paints a very different picture from the one I remember when I lived there. But what do you feel the industry and the Government can do to change that feeling that you talked about, about the insecurity of the oil industry if it goes through another crisis?

Tommy Campbell: There should be great respect for the collective agreements that we have in place. We are seeing in some cases a race to the bottom. In their submissions to you, our colleagues in Nautilus and RMT are clearly pointing out the scandalous situation that there are people working in the offshore industry who are earning a couple of dollars a day. We cannot have that situation. Maximising economic



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recovery in the UK should be about a return to the Exchequer in the UK and a return to the economy of the UK.

We certainly welcome all workers working, but they should be working under the collective agreements and their companies paying their taxes. If we end up going down that route any further, basically the only people who are going to maximise anything will be the oil operators maximising their profits, and that should definitely be opposed. That is why there is a role for Government.

Ian talked about the regulation. We need to have that regulation. We welcome the decision, the push by the unions for the national minimum wage to be applied to some of the shipping arrangements. The best thing of all would be for the collective agreements to be recognised, and there are a number of them in the industry. As we say in our jargon: you pay the trade union rep and everybody is happy.

Q59 **Christine Jardine:** Sir Ian, it is nice to see you again.

Sir Ian Wood: Nice to see you.

Christine Jardine: You mentioned regulation, but do you think there are any lessons that the sector could learn from other oil sectors abroad?

Sir Ian Wood: Absolutely. We went to half a dozen different countries as part of the MER. I had an interesting three days in China where the chairman of the first group I met told me right up front that they employed 1.25 million people. That was quite an impressive way to begin a conversation. We went out and learned. We learned a lot from Norway. We actually learned a little bit from Denmark—they are doing interesting things—and Holland. Yes, of course, there is learning there, absolutely.

Q60 **Tommy Sheppard:** Tommy, what is the extent now in the industry, as it is today, of the reach of the collective agreements? What proportion of the workforce is covered by them?

Tommy Campbell: Quite a considerable amount. We have the offshore catering agreement, covering all those who are providing the backup services of food and accommodation. We have the offshore drilling; the UKDCA agreement covering the drilling site. We have the diving industry agreement and then the OCA agreement—the major one—for the Offshore Contractors Association.

Alix talked earlier particularly about the OCA talks that are going on at the moment. In order to move towards improving the situation, part of the offer that is on the table, which will go out to ballot with the workforce from next Monday, is a retained contract proposal. There are essentially two groups of workers. There is the core group who are on regular rotation or on a regular platform, working all the time for the same contractor, working for the same client. Then there is the mobile ad hoc group, and they can move around between the platforms.



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Unfortunately, when the downturn came they were the first to take a significant hit.

Companies are now starting to slowly recruit and, in order to make sure that they retain, their proposal is that people would rather be hired and fired, hired and fired, hired and fired, so that they will be on a permanent retained contract with a guaranteed minimum earnings of a third. That puts the pressure on those employers to make sure that they are mobilised on a regular basis up to a minimum of 154 days a year. If it is successful—and the clients have bought into this as well as the contractors—the aim is to start with a figure of 600 people, not 1 million, and move towards 2,000 ad hoc workers to achieve that contract for them all eventually.

If the recovery is happening—and we are confident that could take place—that gives stability to those workers. It means that they can plan a bit better for the future. That could well be even down to, if they are buying a property, for example, going to a mortgage lender and saying, “I am permanently employed and this is the retained contract I have. This is my minimum earnings. I am in the industry and I am going to be there for some time”.

Q61 Hugh Gaffney: I have a supplementary question on the current safety regime. I declare an interest. I lost a brother-in-law in a helicopter disaster on oil rigs, and I know you mounted a big campaign against it. Has helicopter travel been improved?

Tommy Campbell: It has hopefully been improved. We have campaigned, along with other unions. Nobody wants anybody to go offshore and not come back from offshore. There was a terrible tragedy in the Norwegian sector two years ago and there were the recent ones. Down the years approximately 200 people lost their lives in helicopter disasters in the North Sea. In more recent times, of course, we know that 33 have lost their lives. There has been concern there.

The concern we have is that, because those disasters happened not through human error but because of mechanical failure, we reasonably believe commercial pressures are being applied. Let's be frank about this, the cutbacks in the rosters and the changes to 3/3 were made because of commercial pressures from the oil operators. The cutbacks in conditions and the cuts in the pay rates are through commercial pressure. We can draw a reasonable correlation that there is potential for commercial pressures and that they compromise safety. That is why we welcomed the decision of the Transport Select Committee to push for that full public inquiry, and we will still push for that. It is essential because it will do either of two things: it will either confirm that there were commercial pressures or it will dispel the argument and say, “Well, there wasn't. The reasons for it were this and that”.

We have to recognise that the majority of the workforce have made it quite clear that there is a particular helicopter that they are not too



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happy to fly in again. That is an indication of the low morale within the workforce. There are concerns about safety.

The hydrocarbon releases have been touched on and the fact that there are not as many now, but—let's be frank about this—the HSE has issued its warnings. It has identified the issues. There was a serious release in 2012 on the Elgin platform. My understanding is that what saved the day there was the wind. The wind was blowing it away from the flames. If the wind had been blowing in the other direction, there would have been another terrible disaster similar to Piper Alpha.

Last year a helicopter flew in to the Davy platform on the southern sector. Unbeknown, as it flew in, the same thing again, there was gas being released there. It was an unmanned installation and the wind was blowing it the opposite way. If it had been blowing the other way, the helicopter most likely would have ignited it. Sadly, we have to make sure that the focus is on that. Health and safety is so important offshore, absolutely essential. We agree that that focus of meaningful engagement with the workforce should always be there.

Q62 David Duguid: Welcome to you both today and congratulations, just very quickly, Sir Ian.

Sir Ian Wood: Thank you.

David Duguid: Mr Campbell, we have already touched on safety, and it is particularly important as we approach the 30th anniversary of Piper Alpha of course. As you probably heard me mention in the previous panel, I worked in the industry for 25 years, seven or eight years of that offshore. I remember working out that I probably did about 200 helicopter trips during that time. I am still here to tell the tale, thankfully. I have often heard it said that, in response to the recommendations made by the Cullen inquiry into Piper Alpha, so many improvements were made that it has now become recognised that the helicopter travel is the highest risk activity that any offshore worker does. Thankfully, it is still relatively rare that anything happens but still, as you have mentioned, it happens.

My original question was just going to be a general one on how well you think the current safety regime is protecting those working offshore. You have gone into a few specifics. My follow-up question was going to be: are there any safety lessons that the sector could learn from the approach taken in any other parts of the world? Before you answer that, I have always wanted to ask somebody knowledgeable in the industry something that I have always suspected and I have heard said anecdotally. I have often been told that what happened in the Gulf of Mexico in 2010 with Deepwater Horizon would not have happened under the UK safety regime. Could you comment on that and also generally on the safety regime in the UK at the moment?

Tommy Campbell: When these accidents are examined, it is always quite tragic that we find that the errors that took place—as Lord Cullen



said even more recently—could have been avoided. In the same way as Piper Alpha could have been avoided, the Gulf of Mexico could have been avoided as well. The best way to attempt to avoid these things is meaningful engagement—Lord Cullen touched on this in his report—on health and safety with the workforce themselves; genuine listening.

All too often, I and my colleagues who represent workers in disciplinarys and grievances have found time and time again—not all the time, but quite considerably—that those who open their mouths and complain about health and safety offshore find themselves being persona non grata. They find that they are in some cases NRB'd off a particular platform because the person in charge there has taken exception to them. It does not automatically mean that they lose their job—they may be reallocated somewhere else—but we find that from time to time.

I always find in life that we should recognise some uncomfortable truths. My experience of workers is that when they have that courage to speak up and speak out, they are not doing it from some point of malice. They are doing it because of some point of concern, and where there are occasions that they are genuinely listened to the situation gets transformed. Where they are ignored, it comes back to haunt and harm. That is the experience.

Where you have good health and safety regimes offshore and onshore it is because there is genuine listening by everybody concerned, with regular encouragement and engagement, meetings of the safety reps and the management, identifying the problems and then aiming towards resolution and prevention. If you apply that approach, hopefully we should avoid any of these situations happening. That is down to making sure that engagement is really genuine. Our experience, unfortunately, is that it is genuine on some occasions, but on lots of occasions people take umbrage and that is where the problem lies. All the policies that they have in all the companies are good policies. If they are adhered to properly and in a meaningful way, we should be able to avoid.

Q63 Ross Thomson: Sir Ian, the UK Government's approach to the oil and gas industry is very largely based on your 2014 report. Would you mind taking the opportunity to talk to the Committee about the issues that your report highlighted at the time and what the thinking was behind the recommendations for maximising economic recovery?

Sir Ian Wood: I have already referred to the very unsatisfactory state of the previous regulator. In my opinion, that was no fault of the management there. The resources had been reduced to quite unacceptable levels. Secondly, the industry was highly individualistic. I believe that the licensing scheme, if it is properly exercised, is exactly the right way to develop this kind of basin. It leads to very highly individualistic behaviour. You are allocated a block and, within reason, you do whatever you wish with the block. There is no thought of UK plc. There is no thought of the potential impact if I collaborate with whoever is next door or if I can get an exploration programme working with



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information that they and I may have. There is a whole range of ways in which they can collaborate. You can add a huge amount of value. That just did not exist. Worse than that—and I actually was quite critical, particularly, I am afraid, of the lawyers involved in some of the commercial departments—there was actually the opposite of collaboration, which I found extremely unacceptable. Those were the two main factors.

The key recommendations were that the Government, the new regulator and industry work together. To the extent they can, that has improved hugely. There is no doubt that the Government's fiscal regime is now among the better and perhaps towards the best in the world for this kind of maturity of basin. We have a really good regulator. The industry as a third party was caught at a very bad time and I think there is a slow recovery. The taxi drivers were a little bit less negative than they were, because I always ask how they are getting on. There is a bit of recovery.

But it was really all about: how do we take a UK plc approach to the oil and gas industry? I absolutely would not change the licensing regime, but I would take a much tougher line—and this is beginning to happen—with highly individualistic operators who are totally focused on what their head office in Houston says they can and cannot do, whatever the impact might be here. I honestly think there have been some huge improvements. I think you have heard from OGA. I think there have been some huge improvements.

Disappointingly, we are still looking at 11.7 billion barrels. That is the latest figure and that is pretty close to Alex Kemp's figure. That is way short of the 20 billion barrels that we hoped might come. Exploration is disappointing. The Government, I think quite rightly, spent a lot of money on spec investigation of new areas. The second exercise was a lot better than the first in choosing the areas and how it was done. We have had quite a good licensing round, but we are still vastly short in exploration. There is no way we are going to get close to 20 billion barrels unless there is some serious exploration.

OGA is talking of an area approach, which is quite innovative. There is a lot of innovation taking place. An area approach is getting a significant number of contractors together working in the same area and trying to get them to work on a single plan. Effectively, if you are part of that group, you take off your oil company hat for the first three months of discussion and ask, "What is the best way to maximise the recovery from this?" When you work that out, you then have to put your company hat on again and say, "I wonder how I can participate in this", so there are some quite innovative things happening.

Somebody asked the question about technology. Technology, in my opinion, is the be-all-and-end-all of our success in the North Sea in the next 20 to 30 years. If you look at the American experience, it started in the early 1910s to 1920s. They closed down in the 1930s. They went



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back in and they took more oil out the second time around. They went back in the 1980s and took more oil out the third time round, purely because of technology.

The problem we have—and we will develop—is infrastructure: how long will our infrastructure last and to what extent might we look to further invest in the infrastructure? We are investing in the recovery part, but we have not invested a lot in pipelines and early key recoveries--the key parts of the system--so the decision has to be taken there. But I think OGTC is extremely strong and the operators are now paying more attention to technology; OGA is asking for technology plans; every fuel is developed. We are getting a lot of innovative thinking taking place.

I listened to the questions in the first hour. Frankly, the answer to a lot of your questions is that it depends what we do. It depends how good we are at doing the things we should be doing if we are going to do these things and enhance that 11.7 billion barrels. We have this 2050; the date you mentioned, 2030. For 2030, I think we are down to 700,000 or 800,000 barrels. We have to try to do something fairly dramatic if we are going to have a big impact in the medium term.

What we also have to do is diversify, and this was discussed earlier as well. We have to use our oil and gas skills, not just in renewables but in a whole range of other areas and in a whole range of ways. Our oil and gas skills have a massive application in offshore wind. I have seen that happen in practice on a number of occasions. There are very similar challenges but different scales of thickness of steel and all the other things, so we have to work in a range of ways. There is a programme: technology innovation, internationalisation, diversification and digital transformation. That is four of the things that we have to focus on.

Chair: We may come back to some of these issues because I am pretty sure we will want to explore them further.

Q64 **Ross Thomson:** Sir Ian, you have talked about a lot of the challenges. You are absolutely right. In terms of impact, I have also heard you talk about a period of renaissance if we can get things right between the Government and the industry itself. Do you think that is still achievable, and what more do you think needs to be done to get us into that period of renaissance that you have talked about?

Sir Ian Wood: There is a body called Opportunity North East, which is an economic development body. There are about 90 different people in the north-east of Scotland sitting on five different sector boards working on plans to develop food, drink and agriculture, life sciences, tourism, digital. I have missed one, but there are five and they are very focused on that. If we can continue to develop that—and it is not just the private sector or the universities that are involved, the local authorities are involved—over time we can develop plans that are all about new companies, helping group the medium-sized companies and the bigger-sized companies, focus where we should on oil and gas, focus on related



oil and gas activities, and focus on the other industries as well. It has to be broad and we have 20 to 30 years to do it in, so I think we will have a big impact. If we don't, we are going to have a very, very sad north-east of Scotland in 30 or 40 years' time.

- Q65 **Ross Thomson:** On maximising economic recovery, we saw an announcement in the last Budget about transferable tax history, which is innovative for the Treasury. What impact do you think this is going to have when it comes into force? Do you think it is going to help with maximising economic recovery in some of the recommendations?

Sir Ian Wood: It is already happening. Some of the discussion that is taking place is a different discussion from a year ago because people are building on the fact that they can handle the allocation of the tax losses in a different way, so they are actually foreseeing it happening although it is not actually happening yet. That was a very important, positive change. We are seeing more M&A activity. We are seeing a number of new companies coming in and showing some interest in the North Sea and we need them for the investment.

Ross Thomson: Yes, absolutely. Thank you.

- Q66 **Deidre Brock:** You were referencing technology, Sir Ian, and I wondered about what more the UK Government might be able to do to encourage technological innovation or advances. What else do you think they might be doing, or indeed the Scottish Government? What else would you like to see happen that might encourage that a bit more?

Sir Ian Wood: Sure. The city region deal—which both Governments, the UK and Scottish Government did—was very helpful for Aberdeen because it gave us £180 million for OGTC. That is going to be doubled, so that is a £360 million project. It also gave us two helpful sums of money for two other areas. For oil and gas there are the current sector deal discussions. Are you familiar with them? They are extremely important. That is through the base. Jenny, help me, what is the headline for the sector deal?

Jenny Stanning: The sector deal is the industry's proposals to support the development of the supply chain and it has three hubs. It has one—

Sir Ian Wood: Yes, I understand that, but what is the—

Chair: Order. We cannot have conversations across.

Sir Ian Wood: I am sorry.

- Q67 **Deidre Brock:** BEIS might be putting some money in or—

Sir Ian Wood: Well, there is a very good case. This sector deal is open to all sectors in the UK, so there has been a very large number of applications from all sectors in the UK. There is not a huge amount of money available but there is some money available. The oil and gas and energy industry—because OGTC is playing a kind of energy role—has put



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in a really good application with a lot of good ideas and suggestions covering three major areas of development. It would be very helpful to get that blessed by Government with some money, but also I think it will result in a lot of activities that will have a lot of spin-off benefits.

Q68 Deidre Brock: Also, you think in other sectors they could take advantage of that sort of technological—

Sir Ian Wood: The OGTC approach is a kind of transformation of the technology approach, and obviously OGTC is very focused on oil and gas. A lot of what it is developing now in technology applies to a number of other sectors as well, so it will be potentially broader.

Q69 Chair: I am grateful. We cannot have conversations across the Committee, but if Ms Stanning did want to supply Sir Ian with a note that would be acceptable.

Sir Ian Wood: Thank you very much.

Q70 David Duguid: Thanks again, Sir Ian, for many excellent points in what you have just said. I think you mentioned something about the bad timing of when the OGA arrived in Aberdeen, which was just before the crash, but I will ask you three questions and then I will let you answer. Do you think the OGA coming to Aberdeen and being based in Aberdeen has had a positive impact on building on the collaboration in the industry?

Also, it is good to hear you talk about the impact on the whole of the north-east. You mentioned the opportunity in the north-east group. As I am always reminding my colleague, Mr Thomson, the oil industry is not just about Aberdeen, as we all know. Aberdeen, quite rightly, is the oil capital of Europe of course, but it impacts the whole north-east; in fact, the whole of the UK, the industry.

Finally, Ms Brock raised the question of Government support. Could you say something about what the Scottish Government could possibly do to help with business rates? You mentioned how important it is for medium and large businesses to be supported in order to drive the longer-term future of the oil and gas industry in the north-east. Do you have anything to say about the business rates system, which seems to be—according to most businesses I speak to in the north-east—overly punitive in the north-east because of this perception of being so affluent?

I will go back to my original question: what can you say is the positive impact of the OGA being based in Aberdeen? It is a UK Government office, but it is based in Aberdeen where the industry is.

Sir Ian Wood: I do not think there is any other decision they could have taken, frankly. There is such a concentration of the significant oil and gas industries in the north-east of Scotland. But OGA also has an office down in Great Yarmouth. They are dispersed, but the only reasonable place for the centre had to be Aberdeen. I would reverse the question. If it had not been Aberdeen, it would have been completely wrong. It was just natural. It fitted in extremely well. There is a huge amount of interaction



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between operators and various committees and OGA people and OGTC people involved. The industry is now having a lot more meaningful constructive discussion than it did before. That has to be good, so the answer is unequivocally that it was the right thing to do.

Q71 David Duguid: Do you think it is a model that could be followed by other Government Departments to spread themselves around the United Kingdom a bit better to represent the areas where industries are more—

Sir Ian Wood: We are beginning to suggest that part of the fisheries department should go to Peterhead.

David Duguid: I have heard that mentioned. Thanks for that.

Sir Ian Wood: It seems to me that the UK—probably second to France—is the most centralised country in the world and a huge amount happens in London. I don't see any reason at all why some reasonable obvious parts of it should not be dispersed out to the industry that it is working with.

Q72 David Duguid: Is the business rates question something you find is impacting the oil industry disproportionately compared to other industries in Scotland?

Sir Ian Wood: Yes. It is actually having a massive impact on the supply chain, the hotels, and everyone involved in trading. I am sure the oil industry itself and the operators are being affected. It has had a huge impact on a lot of the small and medium-sized supply chain companies. I have not heard a lot said about the supply chain. The supply chain is at the heart of the potential benefits to the UK in the medium to long term. Our challenge must be to try to show we can keep them post-NRC.

There is a big effort right now to get them to enhance and develop their technology. The supply chain exports were about £13 billion to £14 billion. They were a reasonable size. They have come down to about £10 billion to £11 billion, maybe even less than that. The proposal is to double them by 2035. They are affected right now, especially the small ones, by the business rates. Nobody has picked on us. The fact is that we were more significant and more profitable and, therefore, finished up paying more rates because that is what happens to you, and we got caught out on it in a downturn. I hope that more favourable treatment will be given to that.

Q73 Tommy Sheppard: Sir Ian, your report focused quite a lot on reducing the cost of decommissioning in the future and, as I think we heard from the previous panel, everybody can accept that that is probably going to become a more significant dimension in the industry in the future than it has been in the past. Could you say something about what progress you feel has been made in that area and what still needs to be done?

Sir Ian Wood: Yes. I certainly refer to the cost of decommissioning and the importance, but I do not think I highlighted it. The good news is that



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an awful lot is happening. The biggest part of decommissioning, as you all know, is plugging and abandoning the wells. About 40% to 45% of the cost is plugging and abandoning the wells offshore, and that is not always generally known.

There is a huge amount of technology now being applied to find clever, more effective, more efficient ways to plug and abandon wells. OGTC is doing some of that. There are a number of companies doing that. OGA is working at that and there are some clever new ones, and I am just quoting here, "added thermite P&A to melt wells". There is a whole range of different ideas being applied now to try to safely plug and abandon wells without the cost of having big rigs coming and spending a lot of time over the well. The other very big cost is actually lifting the platform, removing the platform. That is almost a monopoly; it is not quite but it is almost a monopoly, but there are, again, some thoughts as to how that might be done. My understanding is that last year's baseline figure was £59.7 billion for the estimate of the decommissioning costs. I believe we will find a pretty significant reduction in that this year, so it is happening slowly.

Q74 Deidre Brock: Sir Ian, we had a contribution—some evidence from I think a current lecturer at one of the universities—suggesting that one possibility might be to leave at least some of the rigs, plug and abandon clean rigs, and that there might be some support for this from environmental groups and it would be a way of saving reasonably significant amounts of money. What are your thoughts on that idea?

Sir Ian Wood: I did get involved in some discussions three or four years ago exactly on that. Provided you absolutely clean up the structure and remove a lot of the debris, which you can do, I think environmentally it is a much better solution than moving the platform. If it then becomes a reef and helps sea life and what have you, that is fine. Part of the suggestion then was that we could find a clever way for some of the saving to be used for positive environmental projects. There is a potential formula there that might work. There are very strong European views right now on what you can and cannot do offshore, but there is potential there.

Q75 Chair: It is a fascinating issue, this rigs-to-reefs idea. If we look at the history of fleets being scuttled and all sorts of debris ending up at the bottom of the ocean, they have become structures for wildlife and nature and it is a very attractive proposition and idea.

Sir Ian Wood: It happens in the Gulf of Mexico. It is used in the Gulf of Mexico.

Q76 Ross Thomson: On that point, Sir Ian, I think it is Tom Baxter at the University of Aberdeen who has talked about this, saying that rather than decommissioning of the installations, we maintain them there as natural reefs. That it is better for the environment. What he has also suggested is that the money that the Exchequer is paying for decommissioning at the



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same time should be put into green energy because he thought that that would result in more jobs. That may be more sustainable than decommissioning. I would be interested on your thoughts on his proposal. In relation to the installations, I believe it is the OSPAR treaty that means we have to take out the infrastructure in our sea. Do you think there is scope to change that or to withdraw from that?

Sir Ian Wood: I am not an expert, not at all. OSPAR is the European group who meet regularly and set the rules. If a good enough case could be put together for leaving clean structures offshore, provided they were not a hazard and environmentally that was a better deal than removing them, it is quite hard to think how environmentalists could complain about that. There is a lot of dogma, I am afraid. There is probably a practical solution that would be a better solution environmentally and it may release some money that could be used for other things.

Q77 **Hugh Gaffney:** Oil scrap recycling is one approach to reducing the cost of decommissioning. Reuse and refurbishment or using infrastructure for carbon capture and storage are also options. Is this viable?

Sir Ian Wood: It is not just now. Carbon capture and storage is where you significantly reduce the carbon emissions by, in fact, capturing them and storing them in huge underground structures. The problem is that it is not viable just now. It is technically feasible. It is very expensive and the cost of carbon is such that it does not begin to become viable. It is something that may happen, but we are going to have to put the cost of carbon up significantly.

Q78 **Hugh Gaffney:** That was my second point. Would any support help this or do you think it would be too costly to do this?

Sir Ian Wood: Would who help us?

Hugh Gaffney: What support, if any, does the industry need to take to take advantage of this opportunity?

Sir Ian Wood: You guys are the Government. You are probably better at answering that than I am.

Q79 **Hugh Gaffney:** Would it help to give any support to it?

Sir Ian Wood: If we could get closer to the viability, I think any measures that will decarbonise the offshore oil and gas process will be welcomed, provided they do not damage the process so that some fact of the viability goes. CCS is a very expensive process right now, and I cannot see the Government being prepared to put up that kind of money just now.

Q80 **Chair:** We have not heard from Mr Campbell for a few questions. I am going to ask about your views on some of the decommissioning issues and whether they will have any impact on your members. We do not know if there are safety implications or issues involved with all of this. Could you help us a little better understand it from your perspective?



Tommy Campbell: Yes, I have been listening very carefully to what has just been said. The reality is that most of these platforms were constructed in the United Kingdom and if decommissioning is to start and if platforms are being taken offshore, our view is that they should be deconstructed. They were born here and maybe they should die here.

We have to avoid the scandal that we had when the North Sea Producer was towed out to Bangladesh and was discovered on the beach there. There was no responsibility taken at all for that; for the scandal of young, untrained workers left to work on these structures. We are now seeing some development in Scotland, where there is investment in harbours to allow that process to take place. That needs to be planned. If the UK taxpayer is paying for it, then the UK should be the one that benefits from it. I think it is a very simple equation.

As Ian said, these are the representatives of the Government and I think we cannot allow non-legislation. You have to legislate. The legislative stick should be taken out and decommissioning should happen here. Otherwise I think structures will be dumped elsewhere again and will be discovered by somebody who will then fire down the line and say, "Oh, sorry" again. So let's plan for this. Everything that I have heard here today is about collaboration, co-operation and planning. It was planned to build those platforms in this country and they should be destroyed here.

Those skills that helped create them are the same skills that will help deconstruct them and, in the process of doing that—we heard earlier about the age profile of the workforce—we will begin to hand over those basic skills that will be required in any aspect of industry for building anything, particularly of an engineering nature. I think the investment should be right here in this country.

Chair: That is very helpful.

Q81 **Hugh Gaffney:** To add to that, I know my colleague Jenny Marra was talking about doing some work in Dundee. Was that ever followed up? Obviously, it is not happening.

Tommy Campbell: Certainly all the unions agree with this approach. We feel that, as I said, it is absolutely essential. Both the UK and the Scottish Governments need to pull together on this. We need to see that type of investment. An example could be set with proper planning and investment, and decommissioning could then happen with proper planning and co-operation, maximising the economic recovery. If the private investment is not going to help out, we have to look at the UK Government and the Scottish Government providing financial support for investment.

Sir Ian Wood: I agree with what has been said. The actual value of the kind of decommissioning we would do in Dundee or Shetland or wherever is about 5% of the decommissioning cost. Just keep that perspective. The P&A--plug and abandonment--is about 40%-odd, so we have to get that.



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It is huge and of course we should try to get the pulling apart of the steel.

Chair: I have been grateful to both of you for reminding us that this is Scotland-wide on decommissioning. I was at the University of Dundee recently, which is very much involved in looking at decommissioning as part of the Tay Cities Deal as well as Aberdeen and the north-east.

Q82 **Tommy Sheppard:** I wanted to go back to this question of technology transfer, particularly with the renewables sector. Sir Ian, you mentioned earlier the common skills in platforms and wind turbines. Do you think the industry is doing enough to try to redeploy and refocus existing skills and take advantage of new technologies? I also wanted to ask you, Tommy, what the perspective of the trade unions is in lobbying for the policy perspective in this? Technology diversification or reapplication also means that the workers who are engaged in it can be reapplied to a different purpose.

Sir Ian Wood: I absolutely think we are moving in the right direction. For example, on the training and the skills side, we are looking more at a very general, broad range of skills being applied in apprenticeships. People are trained and retrained so that they have a number of skills. It is not just training particularly to do an oil and gas job; it is much broader than that. Opportunity North East is involved with Scottish Enterprise in diversification, which is absolutely into renewables. We have resources right now working with companies trying to encourage them to consider other opportunities in related industries.

We have not spoken about digital. Digital is going to transform everything we all do and it will have a massive impact on the oil and gas industry, so, yes, I think we are very conscious of the fact and the opportunity. We have an industry that has a limited timeframe and everything possible we can do to extend the timeframe and diversify the skills is going to help.

Q83 **Tommy Sheppard:** Is it your sense that the companies have bought into this or is there still too much of Houston saying no?

Sir Ian Wood: It was helpful that we began the effort during a downturn because they just did not have the oil and gas work. They were desperately trying to export. A number of them have successfully enhanced their exports, but some of them have also now picked up on some diversification.

Tommy Campbell: Yes, it is absolutely essential. It was very refreshing last week at the Safety 30 initiative. There were a lot of young people there from OPITO--the apprentices; young women as well I noticed. I think it is a very important point. We need to be investing on the equalities issue to get more young women and older women coming into this industry.



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We were having an interesting conversation last week with the OCA on the retainer model. When the downturn happened, the unions came forward with proposals about job sharing and companies were not interested. Workers from an older age profile were saying, "Look, I could work back to back. I can earn half of my money. It keeps me in the industry. I could spend time maybe handing over the skills, so there is that handover". Those traditional skills could be handed over.

When we met recently with Oil & Gas UK, a member made the interesting point that there are people now at school who probably will not know until they are about to leave school, and maybe not beyond that, what the jobs are. They have not been created yet because it is connected to this digital revolution that is going to take place. We need to make sure that we do not become prisoners of this technology. We should become the people who win from it, so that it makes those dangerous aspects of the work less dangerous and safer, and also those harder aspects of work a lot easier on the people themselves. That technology should be captured to make the job better, safer and easier. It should not be brought in and introduced to get rid of jobs. We should be looking at creating new types of jobs and new scenarios in that working environment that make the job easier.

The investment has to be made and that connection again—the point Ian is making—has to be the businesses, the local authorities, the education sector, the universities, the further education colleges and, more importantly, the older workforce, who have the basic engineering skills. They should work with the new skills and blend them together so that we invest in the future with the young men and women who are going to come in. It is a very easy thing to do and you have that co-operation. Plus, it was mentioned earlier that the oil and gas industry may have a bit of bad press and people do not think of it as the future. There are 20 to 30 and maybe 40 years there ahead; we should be looking towards our young men and women and saying, "If this is your choice of career, this is where you can be for most of your working life".

Q84 Chair: Thank you. To finish things up, I am going to ask the same question that I asked the previous panel: if there was one thing in particular that you would like this Committee to recommend to Government to assist the oil and gas sector, what would that be and, for Sir Ian, if there was another Wood review—we will go to him first and we will reserve you for last—what do you think the focus of that would be? We will come to you, Mr Campbell: what should we be recommending, the one main thing?

Tommy Campbell: Legislate that the trade union collective agreements become sacred and we can protect everything after that.

Q85 Chair: That was concise and to the point. Right, Sir Ian, you have had 30 seconds there to think of something to end our session on a hopeful note this morning.



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Sir Ian Wood: We need to continue on the path we are on. I think in a lot of ways we are on the right path. I would like to see Government coming out with some sector deal backing for the industry, which is an expression of confidence as well. It is not just money but an expression of confidence. It is about diversification and it is about oil and gas. I think that would be very positive. There are a lot of good things happening.

Chair: Good. That is a very positive note to end on, so I thank you both very much for helping us this morning. Anything else you think you could usefully contribute please pass on to the Committee, but thanks for attending this morning.