



Scottish Council for
Development and Industry

PRESS RELEASE

MPs TO BE WARNED OF GROWING NORTH SEA JOBS THREAT

18 March 2009

An influential group of MPs will today (Thursday, March 19th) be warned that the global recession and banking crisis threaten to add up to 50,000 oil and gas workers to the UK's lengthening unemployment queues if immediate action is not taken to support the industry.

The alert will be issued to Westminster's new Energy and Climate Change Committee at a meeting with Scottish Council for Development and Industry (SCDI) members. The MPs are in Aberdeen to take evidence for their inquiry into the future of UK Offshore Oil and Gas.

In its written evidence, SCDI has warned that falling investment and the lack of available capital for smaller and medium sized exploration companies threaten the UK's energy security and the increasingly important economic, employment and taxation benefits of the industry to UK plc. Oil prices are now back in the same range as in 2004 when the supplementary corporation tax which is levied exclusively on the oil and gas industry was half what it is today. SCDI has called for the Treasury to introduce as a matter of urgency tax incentives for exploration and production in new and existing fields. It will be pressing the cross-party Committee to take this message back to the Chancellor before the Budget.

Ian Armstrong, SCDI North East Manager, said:

"The UK's oil and gas industry is one of the biggest investors in our economy and a global success story. In the North East alone, 147,000 jobs are dependent directly or indirectly on it. Sales by Scotland's supply and service specialists were a record £14.2 billion in 2007/08.

"The Committee's inquiry is into the future contribution of the offshore oil and gas industry and this depends on decisions being taken very soon. The North Sea could supply 40% of the UK's energy needs in 2020, go on contributing substantially to the UK's public spending and support the transfer of technology and expertise into offshore renewable and clean energy. But all of this relies on sustaining investment and, with demand falling and the credit squeeze, the danger is that it may halve over the next two years and decommissioning may accelerate.

"The top priority for the UK has to be maximising economic recovery. International investors regard the taxation regime as increasingly unsustainable for a mature, costly and challenging province. The North Sea needs to be an attractive location for a broad range of companies.

"SCDI is pleased to host the Committee in Aberdeen. The key message for MPs at this time is that, by taking action in the forthcoming Budget, the UK Government could safeguard up to 50,000 highly-skilled and well-paid jobs in a world-class industry with a long-term future. This challenge can be addressed by progressively reducing the overall tax burden, introducing incentives for investment and use of new technology in existing fields and new fields, particularly west of Shetland, and in Carbon Capture and Storage, and improving the access to capital for companies. This would enable the industry to retain jobs



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and invest in skills, anchor our globally successful supply chain and fully contribute to UK economic recovery.”

The breakfast meeting will be held in partnership with PricewaterhouseCoopers at the Carmelite Hotel. The MPs attending are Elliot Morley MP (Chairman), Mr David Anderson MP, Judy Mallaber, Sir Robert Smith MP and Mr Mike Weir MP. Following the meeting with SCDI, the Committee will walk to the Town House in Aberdeen for the public oral evidence session.

SCDI's submission can be found at: <http://www.scdi.org.uk/pi/2009/UKOffshoreOilandGas.pdf>

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