

11 June 2012

Günther Oettinger  
European Commissioner for Energy  
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Belgium

Dear

The Scottish Council for Development and Industry (SCDI) is an independent membership network that strengthens Scotland's competitiveness by formulating policies to encourage sustainable economic prosperity. SCDI's membership is drawn from businesses, local authorities, trades unions, educational institutions and the voluntary sector across Scotland.

I am writing to express SCDI's collective opposition to the Commission's proposal for a Regulation on safety of offshore oil and gas production, exploration and production activities.

SCDI has been closely involved with the development of the oil and gas industry in Scotland from its earliest days, organising a seminal forum on *Oil and Scotland's Future* 40 years ago in 1972. In that time, exploration and production has delivered the most significant economic and social benefits to Scotland of any industry, and SCDI has facilitated and tracked the growth of the supply chain into one of Scotland's most important sectors. In our latest survey<sup>1</sup>, total supply chain sales rose by 2.1% to £16.3bn, with international sales increasing by 4.5% to £7.6bn. In 2002, the international share was 31%, but it is now a record 46.4%. SCDI has also strongly encouraged and supported the industry as it has developed world-leading safety and environmental protection standards for the UK Continental Shelf (UKCS).

Earlier this year, SCDI organised a similar forum on *Oil and Gas and Scotland's Future* for the government, businesses and civic organisations to discuss an agenda for the next 40 years of activity. This meeting agreed that Scotland should maximise the opportunities offered by its natural, business and skills assets in oil and gas for its economy and its people. With the supply chain now active in over 100 international markets, sustaining long-term activity in the UKCS was also identified as essential if the economic, employment and fiscal benefits of the supply chain companies were to be retained in Scotland, the UK and, indeed, Europe. Serious concerns were expressed in the forum about the impact of the Commission's proposal on this agenda. SCDI's North East Scotland Committee - which brings together a broad range of private and public sector partners in the region - shares the concerns which were raised.

It is widely-recognised in the global oil and gas industry and, moreover, in many other industries, that the UKCS's safety and environmental protection is an exemplar. The UK regulator, industry and trade unions have consistently taken action to ensure that it remains so by improving performance and by responding to any incidents in the UKCS and globally.

The successful response to the recent accident at the Elgin platform demonstrated the effectiveness of the standards which have been put in place over many years in the UKCS. While further safety improvements will undoubtedly be realised through this collaboration, the Commission's proposal that the EU assumes overall responsibility would undermine it.

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The EU has no expertise in this area and it is concerning that in drafting its proposal the Commission has failed to draw on the tripartite expertise which has underpinned the success of the UK's regime. No role is foreseen for workforce and safety representatives offshore.

As was highlighted at SCDI's recent forum, the Regulation would require the very significant bureaucratic challenge of reviewing and changing existing UK legislation and safety cases built up over the last four decades. This would be complicated by the confusion created by its poor drafting and exacerbated by the impractical timescales. This would divert focus away from the critical task of monitoring and continuing to improve operational safety standards.

The result of this would be to delay investment which is critical to the future of the oil and gas production industry in Scotland in the short-term and (especially) long-term. It would increase the likelihood that the supply chain would relocate outside Europe. This would reduce economic growth and employment, slow the fiscal recovery of the UK at a time of fiscal challenges across Europe, and lessen the energy security of the UK and Europe.

SCDI believes that the interests of the Scottish industry and workforce, and the European environment and economy would be best-served if this Regulation was replaced by a Directive. This would ensure that the existing world-leading safety and environmental protection regime in the UKCS would be maintained and, as has demonstrably been the case, continually improved, and could be disseminated to other areas of production in Europe.

Over 40 years, Scotland and the UK have developed a remarkably successful and safe oil and gas industry. Europe undoubtedly benefits from this world-class industry. There is manifestly no need for regulatory control to pass to the EU and there would be risks to its long-term future. SCDI requests that the Commission reviews and fundamentally revises its proposal in order to maximise the opportunities and sustainability of Scotland's oil and gas industry.

Yours sincerely

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