European and External Relations Committee

The EU referendum and its implications for Scotland

Written submission from Oil & Gas UK

1. About Oil & Gas UK

1.1. Oil & Gas UK is the leading representative body for the UK offshore oil and gas industry with over 450 member companies right across the UK spanning exploration and production companies and large, medium and small companies in the UK’s supply chain. Our aim is to strengthen the long-term health of the offshore oil and gas industry in the UK by working closely with companies across the sector, governments and all other stakeholders.

1.2. Oil & Gas UK remained neutral throughout the referendum campaign – we are a trade association with a broad range of members who have their own views on EU membership. In the wake of the referendum, our role is now to represent our members throughout the transition ahead.

2. Summary of key points

2.1. Oil & Gas UK is in the process of consulting our members on the potential impact of Brexit. There are a great many uncertainties at this point and we expect our position to develop and deepen over the months ahead.

2.2. Brexit poses both risks and opportunities for our industry. In the short term we see three main risks: distraction from managing our way through the ongoing global oil and gas downturn; a loss of influence over ongoing and future policy development in Brussels which could be detrimental to our sector; and uncertainty which will make it difficult for our members to make long-term investment decisions. In addition, some of our members, particularly those in the supply chain, are seeking clarity on the long-term trading relationship between the UK and EU.

2.3. Our industry’s future, and its contribution to both the Scottish and UK economies and energy security, depends on sending a strong message that the UK Continental Shelf is globally competitive and open for business.

2.4. We ask that governments engage constructively with industry throughout the withdrawal process and set out guidelines on the timeline for Brexit as well as making clear, early statements on fiscal stability and how regulation and access to EU markets and the internal energy market will be impacted. The process should be swift and smooth but allow industry time to review regulation and legislation properly.

2.5. Companies have a duty of care to their employees and we ask for clarity over the position of existing EU staff working in the Scotland and the rest of the UK, and UK staff working elsewhere in the EU.
3. Introduction

3.1. Oil & Gas UK is in the process of consulting with our members to better understand the impact of the EU referendum, and the potential impact of the UK leaving the EU, on their businesses. Given the great number of uncertainties, it is difficult to assess the full impact at this stage.

3.2. We believe it could bring both risks and opportunities but it is the detail of the UK’s relationship with the EU, and the rest of the world, which will shape our industry’s longterm future.

3.3. As part of our own consultation process, which is still ongoing, we are discussing a wide range of issues with our members including the implications for international business, energy and climate change policy; employment; and health, safety and environmental regulation. We are also working to identify areas where the cost of compliance or administrative burden of regulation, or the cost of operations, might be facilitated in pursuit of maximising economic recovery (MER UK), without compromising our unwavering commitment to health, safety and the environment. We will continue to share industry’s views with the committee as they develop.

3.4. At this early stage, our response focusses on addressing three sections of the consultation:

- how the prospect of a withdrawal from the EU is affecting Scotland;
- the withdrawal process;
- and the position of EU citizens in Scotland.

4. How the prospect of a withdrawal from the EU is affecting Scotland

4.1. Our industry has not felt a major, immediate impact as a result of the referendum but continues to face very challenging times as a result of the global downturn in our sector. This is irrespective of the referendum result. Our industry’s future, and its contribution to the Scottish and UK economies and energy security, depends on sending a strong message that the UK Continental Shelf is globally competitive and open for business. The support of governments in reinforcing this is vital.

4.2. In the short term, we see three main risks for our industry:

**Distraction.** The UK oil and gas industry is at a critical juncture and we must not be distracted. Amidst a global downturn we need to ensure the UK Continental Shelf is seen as a great place to do business. We urgently need governments’ support to help encourage investment and kick-start activity including, but not limited to, exploration and drilling and other productive activities. This will create work for the supply chain and protect jobs, and could lead to new discoveries which will extend the life of the basin and help us realise the shared vision of MER UK.

**Ongoing and future policy development in Brussels.** EU policy is currently being developed in Brussels which is potentially damaging to our industry.
This includes EU Emissions Trading Scheme reform, the Hydrocarbons BREF, the Large Combustion Plant BREF, and the gas quality amendment to the Interoperability Network Code. There is also potential for future EU policy to impact our industry without us having any input to its development. We need governments to ensure that the UK’s interests continue to be represented as these discussions progress.

**Uncertainty.** Companies need reassurance to help them make long-term investment decisions. If they do not get clarity, these companies could refocus their operations away from the UK. We need governments to provide this reassurance by moving quickly to outline the process and timeframe for leaving the EU, and how industry can engage in the transition process.

4.3. Some of our members involved in science and research have highlighted to us that the referendum result is already impacting the opportunities available to them. This includes not only opportunities for funding but also opportunities to collaborate with institutions in other EU member states.

4.4. Some of our members, particularly those in the supply chain, are seeking clarity on the long-term trading relationship between the UK and EU. The ability to access the EU market for goods and services could become more difficult unless appropriate provisions are made to facilitate ongoing trade.

5. **The withdrawal process**

5.1. The oil and gas industry is ready to play its part in supporting governments throughout the negotiations and we ask that governments are constructive and open about the process, and consult and engage regularly with industry.

5.2. We would welcome clear, early statements from government on fiscal stability and how regulation and access to EU markets and the internal energy market will be impacted. Given the progress that has been made in recent years to improve the global perception of the UKCS, any real or perceived lack of fiscal stability and momentum on MER UK could have a negative impact on investor sentiment.

5.3. The aviation sector needs clarity from the Department for Transport over how aviation will be regulated after the UK leaves the EU.

5.4. While the process should be handled swiftly and smoothly, governments must also consider the detail of what industry needs. Industry should be given adequate time to review regulation and legislation and the potential impact of change properly.

5.5. We would also welcome guidelines setting out the timetable for withdrawal, as well as possible issues and the priorities to be addressed in the negotiations.
6. The position of EU citizens in Scotland

6.1. The oil and gas industry is a global sector and our member companies recruit staff from right across the globe.

6.2. Many of our members employ a significant number of EU citizens in Scotland and across the UK, and UK citizens elsewhere in the EU. Our member companies have a duty of care to those employees and seek clarity of their status.

6.3. Any future arrangements for the movement of labour need to ensure our industry can access the skills of a globally mobile workforce. Companies with operations elsewhere in the EU need to be able to move personnel between operations as demand fluctuates.