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Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 25 November 2015

Session 4

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ECONOMY, ENERGY AND TOURISM COMMITTEE
30th Meeting 2015, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)
*Patrick Harvie (Glasgow) (Green)
*Johann Lamont (Glasgow Pollok) (Lab)
*Richard Lyle (Central Scotland) (SNP)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Lewis Macdonald (North East Scotland) (Lab)
*Joan McAlpine (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stephen Boyd (Scottish Trades Union Congress)
Tommy Campbell (Unite)
Jake Molloy (National Union of Rail, Maritime and Transport Workers)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 25 November 2015

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the 30th meeting in 2015 of the Economy, Energy and Tourism Committee. I welcome all members, our witnesses, to whom I will come in a second, and visitors in the public gallery. I remind everyone to turn off or turn to silent mobile phones and other electronic devices so that they do not interfere with the sound equipment.

Under item 1 on the agenda, I ask whether members are content that we take in private item 4 and our review of evidence in future meetings.

Members *indicated agreement.*

Subordinate Legislation

Diligence against Earnings (Variation) (Scotland) Regulations 2015 (SSI 2015/370)

10:00

The Convener: For item 2, we have before us a piece of subordinate legislation. Copies of the regulations have been circulated to members. Do members have any issues that they wish to raise in relation to the instrument?

Members: No.

The Convener: In that case, are members content that the instrument comes into force?

Members *indicated agreement.*

Oil and Gas Industry

10:01

The Convener: Item 3 is the start of a short inquiry into the future prospects for oil and gas in Scotland. I welcome our first panel of witnesses: Tommy Campbell, who is industrial organiser for Unite the union; Stephen Boyd, assistant secretary at the Scottish Trades Union Congress; and Jake Molloy, who is regional organiser of the National Union of Rail, Maritime and Transport Workers. I thank you all for coming along.

In the time available, we would like to explore some of the issues that are covered in your written submissions in relation to the prospects for the oil and gas sector and its wider impact on the Scottish economy, particularly the impact on the workforce.

We will run this evidence session until about a quarter past 11. I ask members to keep their questions as short and to the point as possible. It would be helpful if answers were also as short and to the point as possible so that we can get through the topics that we want to cover in the time available. We do not necessarily want all three witnesses answering every single question, so I ask members to direct their questions initially to one member of the panel; if other members of the panel then want to come in, they can catch my eye and I will bring them in as best I can as time allows.

I will start with a question for all the witnesses. Can you summarise for us in just a couple of minutes what in your view are the key issues currently facing the oil and gas sector? More particularly, looking at the role of the Government, the industry and the Oil and Gas Authority, what would be your key asks—maybe no more than one or two—for what needs to be done in a policy sense to make the situation better? I will start with Mr Campbell.

Tommy Campbell (Unite): We certainly want to make sure that any approach to any of the problems is done in a tripartite way. It should be done by all the employers and trade unions, and involve the politicians and the Government, but mixed into those ingredients has to be the workforce, who are the ones that are critical to the situation. We should never forget the fact that, when we talk about the oil and gas industry, we are talking about workers and their families. Of course, it is those people who are suffering the most now as a consequence of the current crisis.

It has to be said that the employers who are crying out because of the crisis are not suffering financially; they are just not making as much profit as they used to. The workers are the ones who have less income, and we are seeing the detrimental effect of that. We have figures, which are a guesstimate, that show that about 65,000 jobs have been lost in the sector. That is the equivalent of about 20 car factories or 20 shipyards closing, which would be treated as a national crisis. We reckon that approximately 6,000 jobs on the platforms and rigs themselves have gone and about 30,000 have gone in the support companies that back up the industry. Of course, rippling out from that, approximately another 30,000 jobs have gone in the hotel, catering and other sectors.

Anecdotally, I can tell the committee that, when I met taxi drivers in Aberdeen last week, they said that their takings this year are going to be down by an average of over 20 per cent. They are seeing the effects themselves in the squeeze on the type of trade that they used to get from the oil companies. This is not just happening to the oil and gas industry offshore; it is now coming onshore, too.

Initiatives are being put in place. Based as we are in Aberdeen, we should thank the local authority—indeed, all the parties and the independent politicians—for working together on the city deal. They are not only looking at the crisis as it is happening but trying to make long-term projections, and we welcome that, because we need a planned approach to this economic crisis. After all, we are talking about people losing their jobs and those skills coming out of the industry. As for the direction of traffic going the other way, what are the young men and women who should be seeing a future in the industry and who are going to university or developing their skills in apprenticeships thinking now?

Another anecdotal example relates to the changes to the rota—the so-called three and three, which I am sure we will deal with later. A figure that is being bandied about is the approximately £150 million that is being saved in helicopter costs alone. That money is coming out of the system, with the result that more than 20 helicopter engineering apprentices in one company alone—and, indeed, other people—are going to lose their jobs. This crisis is happening.

We want to work together. I am sure that my colleagues will make their own comments, but I will to finish by expressing concern about the inward trend that we are starting to see of cowboy operators. In that respect, our primary concern is their attitude to health and safety, which leaves a lot to be desired.

Stephen Boyd (Scottish Trades Union Congress): I want to turn to the STUC's perspective on the economywide issues, which are extremely important. We welcome the committee's interest in the sector, because what has happened over the past year has been on a massive scale and is perhaps still underappreciated out there. People still do not really get the impact that the fall in oil prices has had on the sector.

As for the issues facing the sector, it might be stating the obvious but, underneath everything, a massive issue with the collapse in price is that it looks as if the economics of the industry have fundamentally changed. Along with that, Scotland’s offshore sector, whose way of extracting oil is relatively expensive, is facing pressure of an order of magnitude that is more than for other oil-producing nations around the world, which are able to improve their productivity much faster. We are already seeing the impact of that in Scotland’s economic and labour market performance through the middle and latter parts of the year relative to the rest of the United Kingdom. It is clear that what is happening in the industry is having a wider impact.

It is difficult to say in two minutes what needs to change, because we are looking across a huge range of issues for all the different industry actors. Again, we have to realise that ours is a high-cost jurisdiction, and the industry as a whole been atomised. As the Wood review recognised, it has not collaborated well. When we compare the way in which the industry on the UK continental shelf is run with the way it is run in other North Sea jurisdictions, we see, for example, that the cost bases are very different. Something has to be done about that.

However, although the industry has not innovated or collaborated in the way that it should have, there are opportunities moving forward. The obvious one is decommissioning, which provides a route to diversification and saving jobs and an opportunity for Scotland to develop expertise that can be exported around the world.

I do not like using the term “partnership”, as it can be loaded, but, as Tommy Campbell has suggested, any response has to involve all the industry partners working very closely together. Indeed, as Tommy has said, some of the industry groups listed in our submission have been involved in good activity, and the energy jobs task force has started to drive some of the collaborative activity that has not been apparent hitherto.

We are making progress, but there is an awful lot to be done. I think that Tommy Campbell and Jake Molloy are very well placed to describe some of the really worrying stuff that is happening at workplace level and which we will all have to be cognisant of.

Jake Molloy (National Union of Rail, Maritime and Transport Workers): There are so many issues that, as Stephen Boyd has said, it would be difficult to cover them all in two minutes.

This is the consequence of the industry’s slash-and-burn approach. There seems to be little take-up or engagement on how we can be more efficient and more productive without the blunt instruments of redundancy and cutting terms and conditions. That is having—and we are just in its infancy—the effect of developing a culture of fear.

I was personally involved after the big slump in 1986, and we all know what happened in 1988. The environment is different now—we have a different regulator, different machinery and different mechanisms—but a culture of fear is clearly developing on the ground whereby workers are reluctant to challenge, question and report for fear of losing their jobs. That does not necessarily make it unsafe, but it absolutely makes it less safe, and that is a serious worry.

Not only that, but that culture has knock-on effects in relation to the lack of maintenance, the backlog of maintenance and how we maintain the infrastructure to develop and exploit what is left. If we are not careful, we could rapidly lose a lot of the infrastructure because of a lack of investment and maintenance. If it becomes uneconomical, we will start leaving the oil in the ground.

The other big fear from the maritime side of things is about the drive to reduce costs, which is seeing many of our traditional UK supply companies being virtually on the brink of closure. I have said it once already, but I say again that I fear for the British seafarer in the oil and gas sector. We are probably looking at there being few or no British seafarers left in the oil and gas sector by Christmas or the new year. It is undoubtedly a race to the bottom. Day rates have been cut to such an extent that we are seeing the use of second-registration or flag-of-convenience vessels, exploitation of foreign nationals and social dumping. I do not know whether that fits with the Scottish Government’s fair work convention and drive for a living wage. We are talking not about a living wage or the minimum wage but about a wage far below that.

The knock-on effects of all of that will be future skills gaps and continued social dumping. Stephen Boyd alluded to the potential that, because the oil companies have created this low-cost environment, they will absolutely not consider any opportunities that we as a society would look to in terms of decommissioning. We have steel plants closing down at a time when we have huge steel platforms that need recycling. We have debate about diversity in the Clyde. We have huge platforms that could be taken in there, into deep water, and decommissioned and used.

We can maintain some form of manufacture in this country by using the means that we have in licensing through the OGA to ensure that, if the oil companies are going to exploit our natural resources, there is some return for us as a society. I see that being diminished to such an extent that it is going to be a seriously lost opportunity. I do not see this turning round until somebody is hurt. That is a real worry.

On how the Government can change things, we need all the regulators—the Oil and Gas Authority, the Health and Safety Executive and even the Civil Aviation Authority—to be in the room and to set down parameters that are considered to be operating standards for the UK sector. In Norway, the NORSOK standards dictate how the oil companies operate. We must take the oil companies into some kind of forum that sets the standards rather than seeing this race to the bottom.

The Convener: Thank you for that summary. You have all raised a huge range of issues and we want to explore them in more detail in the time that we have available. Before we move to questions from members, I have a couple of follow-up questions myself.

The committee, in the style of Jeremy Corbyn, asked the public whether they have any questions that they want to put. We have a question from Yvonne in Aberdeen, who asked:

> "Are the trade unions fighting the change or are they working with businesses to ensure a sustainable future for oil and gas in Scotland?"

Who wants to respond to that?

10:15

Tommy Campbell: I will answer that—it is a very good question from Yvonne. Stephen Boyd used the word "partnership", and that can create different thought processes in people's minds. I believe in working in co-operation for the greater good of the people who we represent. That means that we have to sit in the same room as the bosses. People on the outside might think that that means that we are in bed with the employers, but the only time that I get into bed with any boss is to have a pillow fight. We are currently in dispute on a number of fronts with businesses in the oil and gas industry. A ballot is taking place in relation to the Caterers Offshore Trade Association, which involves us and the RMT, and we are trying to resolve a dispute with the Offshore Contractors Association.

We are working hard because, as I said in my opening comments, although we recognise that the industry is in crisis, we do not see why the workforce, including those who are affected in the onshore environment, should carry the greatest burden. The workforce is not just in Aberdeen. The reason why I made an analogy about car factories and shipyards is that, although the workforce is particularly in the north, the UK continental shelf is right round the UK. People working in the industry come from England, Wales, Scotland, Ireland and other countries. We do not want a race to the bottom, as Jake Molloy rightly said; we want common standards of good employment practices, good employment rights and good health and safety.

We want to bring all the players into one room. At the moment, those at the top—the major oil companies, which are still making significant profits—are keeping their distance and basically telling the contractors that it is their shout how they handle the issue, but they are being told, "You will cut." Of course, the only people that the contractors can cut are the workforce, because they are going to protect their profits, too.

As Jake Molloy and Stephen Boyd have said, we need state intervention at Scottish and UK level to bring that approach to a halt and to say that it is becoming irresponsible. The industry is exploiting the natural resources of the United Kingdom off the coast of Scotland, and the payback should be that the industry has social responsibility and uses the profits that are generated by the people who we represent to invest in our communities now and in the future.

The Convener: I will bring in Mr Molloy, if he is brief.

Jake Molloy: I have just one point. It is difficult to be in partnership with employers who cannot negotiate with us. That is the situation that we are in. We are talking to the employers of our members, but they are being dictated to by a third party, which is the oil companies. When those employers are dictated to, they do what their clients dictate as opposed to what the workforces are looking for.

The Convener: I have one more question, which is on a slightly different topic. Stephen Boyd talked about diversification and how we use the skills that have been acquired in the industry elsewhere in the economy. Is there an opportunity to reuse skills that have been acquired in the offshore oil and gas industry on onshore technologies such as unconventional gas? If so, what is your view on the Scottish Government's current moratorium on fracking?

Stephen Boyd: We always have to tread carefully when we talk about diversification. It is a word that people fling around without really thinking through the process of getting from where we are now to where we want to go. There are opportunities. We have spoken for a long time about the possible synergies between the skills in oil and gas and those in offshore renewables. Unfortunately, we have not seen the progress in offshore renewables that would allow that flow of employees from one sector to the other, so that remains a major challenge.

I do not know the answer to the specific question on fracking. I am not entirely sure how closely aligned the skills in the offshore sector are with those in fracking. Last year at congress, the STUC took a decision that in essence supports the Scottish Government's moratorium for the time being. Like the Scottish Government, we will constantly revisit that over the next few years as the energy policy debate and the situation in the offshore oil and gas sector progress. We have to look closely at other opportunities for diversification.

Scottish Enterprise is playing an important role in the north-east, particularly at the moment through Lena Wilson's chairing of the energy jobs task force but also in having tried to drive that collaboration in the past. The Scottish Government needs to resource that activity and must look closely at the real opportunities for diversification and what Government investment is required to realise those opportunities.

Dennis Robertson (Aberdeenshire West) (SNP): I declare an interest as one of the co-conveners of the cross-party group on oil and gas.

My first question is for Jake Molloy. You have painted a fairly bleak picture, talking about fear in the workforce and people being in fear of losing their jobs if they were to report health and safety concerns. We are all too aware of what happened in 1988 and the impact that that had, including the health and safety initiatives that were introduced thereafter. Are you suggesting that health and safety is being compromised offshore?

Jake Molloy: Right at this moment in time it is difficult to quantify that, because the statistics suggest that safety performance has improved slightly, but it was the same in 1986, albeit that the statistics were not as robust as they are today.

I am trying to pre-empt the inevitable. We have anecdotal evidence that we were talking about downstairs. If somebody cannot make a complaint about a lack of rest because the room that they are sharing is occupied by a rather loud snorer without fear of being sacked—that is what has happened—are they likely to challenge the company on maintenance procedures and unsafe acts? It is the culture. Call it fear, reluctance to talk or perception of fear; there is a reluctance to challenge that I have rounded up as this underlying entity of fear, which detracts from the ability to stop the job and challenge. That is what I am trying to explain.

Dennis Robertson: You will be aware that industry and the companies themselves say that safety is paramount—it is above anything and everything else. Are you questioning their suggestion that safety is paramount? Because the fear culture is there, because of redundancies, might some incidents not be being reported, meaning that the industry is not aware of the problems?

Jake Molloy: I am not questioning people at the senior level or doubting their commitment to making things safe, but let us take it to the very bottom level. Just in the past week, a group of workers who were working for a major contractor were told that they were redundant as of 18 November, that company X was taking them over and that they needed to contact that company. There was no transfer of undertakings, redundancy pay or consultation; they were told, "We've gone. They're running the job." The guys have to apply for their own jobs, but they have to do that with a £5 million employer's liability insurance certificate and they have to work as self-employed workers. I cannot, for the life of me, see a self-employed worker who is working on a day-rate basis and whose contract is reliant on their producing the goods standing up and challenging his main client—I just do not see that happening.

I do not speak from experience, because I have never been self-employed, but do we really want a culture of self-employed, sham, zero-hours-type contracts in a safety-critical major accident hazard environment? I am not convinced that that is conducive to good safety practice.

Dennis Robertson: You also suggest that the involvement of British seafarers in the oil and gas sector is being compromised by the use of flag-of-convenience vessels and that sort of thing. Do you believe that the health and safety of the seafarers in the work that they associate with offshore is being compromised because the people who are coming in have different health and safety standards?

Jake Molloy: There is no doubt about it. I have done International Transport Workers Federation inspections on some vessels that have been flying the flag of convenience, and I know that the Filipino and Indonesian workers look upon us as the police arriving to save them from purgatory. The conditions on some of those ships are appalling. What worries me most about that is that the industry has invested millions in developing competence to a standard that delivers safe operations, and that is being dumped. Less competent, less able and less willing workers are being exploited in order to exploit our natural resources.

Dennis Robertson: You are saying that safety must be compromised.

Jake Molloy: Absolutely—there is no question about that.

Dennis Robertson: I wonder whether any of the other witnesses would like to respond.

Tommy Campbell: As is always the case, this is a very difficult area in which to produce proof, but let us look at another industry—the construction industry—where the unions and the workers got lucky and were able to uncover the scandal of the Consulting Association, which operated in collaboration with major construction employers. Members will be well aware of the history of that case, which is still on-going in the courts. I think that it is a safe bet to say that that level of behaviour, which was widespread in the construction industry, is very typical in other industries, but we cannot get proof of that.

When I and my colleague Jake Molloy and other trade union officials who deal with the offshore industry talk to workers about the heliports and when we are in communication with them over the phone, they tell us things and say, "You didn't hear this from me." On top of that, there is the evidence of the inspections that were carried out by the authorities of a number of installations last year, in which the safety-critical element was quite high. The highest points were scored where there was a question mark over the integrity of the installation. That should give us an indication that something is not right. It is sad that, when there is a major incident and inquiries are held, people say that, in hindsight, they could have spoken out at the time, but they were afraid to.

There is an absence in that regard. We raised that at a meeting yesterday with the OCA employers. We wanted them to promote more strongly the idea that elected workplace or union representatives should be promoted and encouraged within companies. As far as I am concerned, the real heroes are the workers who have the courage to speak up and speak out, but history shows us that, somewhere along the line, those people get their cards marked and, when it comes to redundancies, they find themselves in the queue to go. Their suspicion is—although, again, we do not have hard evidence—that, somewhere along the line, they are identified as people who are not required back, because they were seen to be speaking out in a way that was detrimental to the company's interests. That will never be written down.

That is why I say that we got lucky with the construction industry when the Consulting Association's files were found. Maybe one day we will have a WikiLeaks-type situation in the oil and gas industry, whereby the lid will come off and we will find out that the truth that we were generally aware of is definitely the truth. The companies and the industry need to come up with a charter to encourage people to speak up and speak out. That right should be protected.

Let us look at another example. Why is the industry so dead against a public inquiry into helicopter disasters, when the relevant committee of the United Kingdom Parliament decided, in the summer of last year, that there was a need for an independent inquiry? The idea of an independent inquiry was a no-no, on the basis that, "It's not that bad—we are just as good as the Norwegian sector." In the 21st century, 38 people have lost their lives in our territorial waters as a result of helicopter tragedies. There have been no such deaths in Norway. There is no comparison to be made. All that we can say is that the situation in the UK is really quite bad. There is a need for such an inquiry. Who blocked that? Who was behind that? If we ask ourselves that and look at the answer, we have to say that there is a nervousness there.

The textbooks say that companies will have everything written down about their health and safety policies. We welcome those policies, but the issue is their practical application all the way down the chain of command when someone puts their hand up, points the finger and speaks up and speaks out. Sometimes they come through their unions to do that, because they want anonymity. Like Jake Molloy, I have serious concerns that something serious could happen. I want to emphasise that we, of course, do not want any such thing to happen.

10:30

Dennis Robertson: Is health and safety being applied differently or is a single standard being operated in the offshore platforms? Is each company liable for its own safety or is there a collaborative approach in order to have a single standard? If that is not the case, should it be the case?

Jake Molloy: Yesterday morning, I sat on a panel with Trevor Garlick, the chief executive of BP, and we discussed the simplification and standardisation of safety. We need to have proactive, positive input. The workforce has been screaming out for that for years.

It is difficult as an itinerant worker moving around the North Sea to go from Shell, which has a golden rules reporting system and risk assessment process, to BP, which has a completely different golden rules observation system and risk assessment process and to other companies, such as Apache, and their systems. That does not make for economic, efficiency or productivity improvements. There is an easy win for the industry—they could change the situation and send a clear message to workers that the issue is not just about cutting jobs and terms and conditions, but about introducing efficiencies across the board. However, there is a reluctance to do that. They are talking about a six-month lead-in time, with a pilot exercise.

Dennis Robertson: What would the easy win be?

Jake Molloy: The easy win would be to have a common induction, permit to work and risk assessment. Therefore, instead of each operator investing millions of pounds to train people to their specific standards, we would have a common standard. That would allow workers to move around operator to operator and contractor to contractor and to know what the rules are, how they are expected to behave and how to intervene if there is an unsafe act.

Dennis Robertson: That would be cost efficient and safe.

Jake Molloy: I think that the figures that were produced in this very room last week were about £200 million.

Stephen Boyd: I lack Jake Molloy and Tommy Campbell's decades of experience—I have only recently become involved in the sector. Over the past few weeks, I, along with Jake and others, have had the opportunity to meet a number of senior players in the sector. I do not doubt any of their good faith when it comes to supporting an excellent health and safety regime in the North Sea, but the problem is that entering a rapid cost-cutting phase can introduce bad incentives along the chain of employment, particularly at the lower and middle management and the employee sides. There is no longer the incentive that should be there for employees to report every health and safety infraction, because of a concern that doing so would tag them for future redundancies.

We must realise that the law of unintended consequences operates here. It is not about questioning the faith of the people who are running the industry; rather, it is about recognising what is happening and how we can best tackle the situation.

Dennis Robertson: Is there a system of anonymised reporting?

Jake Molloy: There is a health and safety hotline but it is rarely, if ever, used, because of the regulator's inability to make unannounced visits. The lead-in and investigation time would invariably identify the individual who is reporting. Therefore, in effect, the phones on my and Tommy Campbell's desks are the hotline, and we deal with reporting that way.

Lewis Macdonald (North East Scotland) (Lab): Like Dennis Robertson, I am a co-convener of the cross-party group on oil and gas. We have had good evidence there from trade unions on the industry. An issue that Stephen Boyd's submission particularly highlights is the high cost base of the UK continental shelf compared with other parts of the North Sea. That issue has been mentioned again this morning. Why is that the case? One or two aspects have been mentioned. What can be done with your support to reduce the cost base that does not involve people losing their jobs or the terms and conditions of the offshore workforce being undermined?

Jake Molloy: At $130 a barrel, a lot of operators were reluctant to shut down and do maintenance. We saw that play out in the 1980s, the early 1990s and, regrettably, now, to some extent. If workers were educated and trained and able to police maintenance backlogs and safety-critical maintenance—at the moment, they are not—we would be in a win-win situation, where the infrastructure is being maintained to the highest standard and can be used to exploit the resources that are left. However, as was highlighted by Bob Egan of the HSE at yesterday's event, only 70 safety representatives out of 2,500 have gone through training that will enable them to fulfil their roles to the extent that they can go out to do competent inspections and assessments of maintenance standards.

Conducting proactive maintenance reduces costs, because it ensures that a breakdown does not last for a year or more. That has been the case in the past and, unfortunately, that is where we are heading again. Proactive maintenance gives you infrastructure that is fit for purpose and has greater uptime and productivity. More maintenance reduces the level of activity on the installation, which saves costs, too.

I had a debate about this at the most recent meeting of the energy jobs task force. Global corporations are operating their business on a day-to-day basis. I am not aware of any other corporate bodies of comparable sizes that work that way. Normally, such organisations have one-year, two-year or three-year plans. However, everything has been torn up right now. We are literally working on a day-to-day basis, and people do not know what they are going to be doing the next day. That cannot be conducive to improving efficiency, reducing costs and improving productivity.

Stephen Boyd: The first thing to say is that your question cannot be answered with any degree of certainty. I am not aware of any rigorous analysis being published that takes into account the relative cost bases and the reasons behind them. We are left to speculate. It is important to stress areas that do not cause the higher cost base, and I do not think that you can attribute higher UK continental shelf costs relative to the

Norwegian costs to wages, because wages in the Norwegian sector—and in the Danish sector—are at least as high. I also do not think that it is down to tax—we can come back to fiscal issues later, if you want. In the past, some might have suggested that regulation was part of the cause, but I think that, following the Wood review, we now have the regulator that the industry wants, and I think that that explanation has been removed.

I think that the deeper reasons concern the lack of collaboration that Wood described in his review. The UKCS is highly atomised, compared with the other jurisdictions. There is also a lack of innovation. In the Norwegian sector, Statoil incurs no risk if it wants to innovate, because it holds the benefits of that innovation. However, a player in the UKCS runs a major risk if it innovates, because it might not capture the benefits of that innovation. That is an age-old problem.

There are issues around innovation and collaboration. There needs to be much deeper analysis of those issues, but I am not aware of any having been undertaken.

Tommy Campbell: If you owned the industry—if it were nationalised—and it faced the same crisis, we would be knocking on your door and saying that, instead of paying off these highly skilled workers, you could use them to do all this maintenance that needs to be done. It is like when a transport company runs into a bad patch—I came across this when I used to deal with the road haulage industry. If there is downtime for a couple of weeks, those companies get people to clean up the yards, do a bit of maintenance and so on. That is what happens on a micro level and the same could be done on a macro level. You could transfer the skills to an onshore situation, but the other approach would keep them in their own territory and their own work environment, it is just that they would be doing other kinds of maintenance work. The fact that the production tap has been turned off does not mean that the workforce should just disappear. You need to intervene and point your fingers so that those skills are kept there and people can be getting on with their maintenance programmes while we wait for the upturn to come.

As Jake Molloy said, in the short term, somebody's budget just will not allow for that. They might know what should be happening, but somebody above them will say, "There's no money in the kitty. That's it." Somebody needs to bring pressure to bear and say that there is money in the kitty and that those at the senior level in the oil companies have that money and can release it to allow that to happen.

Yesterday, Shell was fined £20,000-odd for one of the biggest leaks of oil, I understand. You can ask BP to reflect on what happened with Deepwater Horizon and how much that cost it. People need to think forward, instead of just looking at their immediate budget. The money is there and things could be planned properly.

The Convener: We are about halfway through our time and I have a long list of members who want to ask questions, so we need to tighten up a little on questions and responses, if we can.

Lewis Macdonald: I have a brief follow-up question that is specifically to Stephen Boyd in response to his answer. People in the industry and regulators say that they get it that the period of cut-throat competition has to be behind them and collaboration has to happen. Is that your experience and the experience of the trade unions? Is there a culture shift or a recognition of the need for a shift in behaviour among the industry leaders?

Stephen Boyd: Tommy Campbell and Jake Molloy might have a better perspective on that than I do, but I think that there is an understanding that that culture shift has to happen and that we are in the early days of that happening. When we have had meetings with senior players in the sector, they have all absolutely recognised that that has to happen.

Driving culture change right through massive multinational firms and the atomised contractor base that I discussed is a major job, and it will not happen overnight. The other side of the issue is that we cannot leave that for the future, either. We have to work as hard as we can to drive culture change. The people involved in the energy jobs task force tell me that that is beginning to make a difference, that people are speaking to one another in a way that they did not in the past and that we are beginning to see collaboration happening, but I think that we are at the very early stages of the journey.

Lewis Macdonald: I will move on to the other area that I am keen to explore.

The Convener: Briefly, please.

Lewis Macdonald: That issue is the wider impact on the economy, which Tommy Campbell referred to at the outset. Neither the Scottish Government nor the UK Government has yet commissioned any assessment of that impact. What does the impact on the economy of the north-east and the rest of Scotland look like from a trade union perspective?

Tommy Campbell: There is a serious impact. I will give another anecdotal example that involves beer delivery in the city of Aberdeen. Guys have told me that there are pubs that they used to deliver to once a week but which they now deliver to once a month. I was in Edinburgh last night, and I walked around—some places were busy; we do not get that in Aberdeen now. I drove past a city centre restaurant on Monday evening at the back of 6 o'clock. I was stuck in traffic, had a look over at the restaurant and saw two people in it. That type of business will need more than two people.

I know what is happening from talking to people who are in the pub business. Even the hotel industry announced recently that it has seen a downturn. I will give an example of that. This time last year when we were trying to book shop stewards into hotels for our training courses, the average cost was around £150 a night during the week. On Monday this week, we got somebody into a city centre hotel for £51 for bed and breakfast for two nights. That is just one example.

I spoke to people from the Advisory, Conciliation and Arbitration Service who were at the meeting yesterday for negotiations with the OCA. They were staying at another major city centre hotel, and they said that they were the only people in the breakfast room at the back of 8 o'clock. They did not ask the people at the hotel, but they got the sense that it was empty. That was in that part of the country alone.

There is a rippling effect in the smaller industries. I have spoken to the owners of Indian restaurants in Aberdeen that I frequent and they have told me that lots of their customers have not been back this year. I said that they would be men and women who go offshore and come in for something the night before, and they are now gone. They said that their hospitality sessions for companies, in which workers maybe have a night out with their management team, are also gone. Therefore, there is a ripple effect all the way down.

There is the idea that, because the price of oil has come down, there is a knock-on effect and maybe a plus in lower fuel prices for people in the road transport industry and the consumer, but an upturn on the other side is not showing.

10:45

Stephen Boyd: It would be fantastic if I could use data to answer that question, but every time I come to the committee I moan about the quality of Scottish economic statistics. It is true that we simply do not have the up-to-date regional growth or labour market data that would enable us to answer that question in a credible way. All we have is the anecdotal evidence that Tommy Campbell has described and the STUC has heard that right across the board. As Tommy said, we are starting to see it seep into the rest of the Scottish economy. Yes, it is primarily a north-east Scotland problem but it is not just a north-east Scotland problem.

Organisations such as Scottish Engineering have already said that there have been knock-on effects across the manufacturing sector. The Highland economy has been doing relatively well during the past couple of decades, particularly in the north. The oil and gas supply chain tracks right up to Caithness. If the Highlands begin to lose that economic benefit, it is a concern and we risk losing a lot of the significant advances that we have made during the past couple of decades in equalising the economies of the Highlands and the rest of Scotland.

Jake Molloy: The flipside is that we are losing innovation and skills. We have been the market leaders for decades now. Much of the innovation that has been introduced throughout the world has come from what we have learned in the North Sea. We are losing that. The knock-on effect goes into universities, schools and the apprenticeship model. Everything could be affected if the downturn continues.

The Convener: We need to move on. Gordon MacDonald has a question.

Gordon MacDonald (Edinburgh Pentlands) (SNP): To go back to the subject of costs, one aspect of costs is productivity. We have seen indications that the Norwegian sector has a higher extraction rate than the UK continental shelf. Is there any particular reason why the UK has a 40 per cent extraction rate while the Norwegian sector has a 60 per cent extraction rate?

Jake Molloy: I would say that it is because of the lack of investment in infrastructure in the UK. Instead of moving forward when times are good and putting in equipment that can extract greater amounts from the existing reservoirs, we have tended to sit tight while the going was good. When I talk to my Norwegian colleagues—in fact, a couple of them are waiting for me in Aberdeen right now—they seem to be in perpetual motion, going forward with technology and improving and investing in the existing infrastructure.

We also have good examples. Forties and Beryl have just found new oil. Smaller operators coming in are prepared to invest but are deterred by the way in which things are operated with the existing infrastructure. I said to Oil & Gas UK that, for every barrel of oil that Apache produces from Forties, it has to pay BP revenue to put it through BP's pipelines to get it ashore. Nobody does that in Norway, Denmark or Holland. Big oil, which owns and takes revenue from most of the infrastructure, is a deterrent to producing more oil because there is a cost element to it. There needs to be a different approach.

Gordon MacDonald: Do we know what the production break-even point is? I know that all the rigs are in different places so they have different challenges, but do we know roughly what the break-even point for oil production is? The North

Sea has been in production for 40 years, and for 30 of those the Brent crude price has been below $40 a barrel. It was as low as $13 a barrel in 1998. Given the price that we have now, why is the industry in crisis?

Jake Molloy: It was actually at $9 a barrel around 2000. You will have to get the industry to answer that. We cannot get our heads around it either. We know that it has been paying more for drilling rigs, manufactured goods and engineers, but that is also because of lack of investment. It is picking from the same pot rather than developing new people or the people it has already got. There is no doubt that there has been bad management; most of the top players will admit that they have not managed properly. There has also been a lack of investment and a lack of drive to collaborate—that is why we now have the Oil and Gas Authority—which has meant that it is a high-cost environment.

Gordon MacDonald: Oil & Gas UK has said that some recent job losses have come from efficiency improvements as the industry looks to enhance its working practices. Basically, are oil companies using the lower oil price as an excuse to lay off workers in order to boost their margins?

Jake Molloy: To my mind, that is what the situation has become. It has become opportunistic. The oil companies put workers on to two weeks on and three weeks off, telling them that that was good for their work-life balance, safety and occupational health. They are now putting them back to three on, three off, telling them that they need to reduce helicopter costs, but there is no mention of the impact on their health of working 350 additional hours on top of the 1,800 or 1,900 hours that they already work. To me, that shows that the oil companies are being opportunistic.

As I told the OCA meeting yesterday, if we were really collaborating and working to drive efficiency and maintain a safety culture that delivers, why not collaborate and make a standard in the UK sector, as there is in the Norway sector? I do not mean two weeks on and four weeks off, as in Norway, because it is too late now to have that here. However, we could have two on, two off for everybody, rather than three on, four off or three on, five off for Shell, BP and Marathon; two on, three off for Exxon; two on, two off for this one or that one; and three on, three off for the poorest of contractors. If we have a standard, we can collaborate to a greater extent and utilise helicopter space and ships; everything could be co-ordinated and collaborated on if we adopt a standard.

Gordon MacDonald: Do you have a view on the future oil price? Obviously, getting employment and investment back is about getting that price back up. The World Bank estimated in June that oil prices will start climbing again and be over $60 a barrel by 2017. Is that the confidence that you are getting elsewhere?

Jake Molloy: That is a kind of crystal-ball issue.

Stephen Boyd: Nobody really knows, do they? We referred in our written submission to the economics of the industry fundamentally changing, which I think that they have. The introduction of US shale has been a structural shock that the global industry has not had to cope with previously; it has had to cope occasionally with significant fluctuations in the oil price, but it has never had to cope with that kind of structural shock.

I have been encouraging people to read a paper, which I have here, called "New Economics of Oil" by a chap called Spencer Dale, who was until recently the chief economist at the Bank of England and is now chief economist at BP. Basically, his argument is that the economics that have underpinned the industry for the past 30 years have changed and that what we used to believe about the industry does not hold true any more—for instance, that oil is an exhaustible resource that will eventually run out; that oil flows from east to west; and that the Organization of the Petroleum Exporting Countries stabilises the oil market.

In that environment, the International Energy Agency's estimate that the oil price will not return to above $80 a barrel until at least 2020 is probably correct. The concern in that case—to go back to your previous question—is what the break-even price of North Sea oil is. People tell me that it is $70 to $80 a barrel; certainly, international evidence shows offshore production to be of that category. The price is therefore a major concern.

I know that the convener wants to move on, but I will come back very quickly to a couple of your other points, Mr MacDonald. It is massively important that we recognise that, if the Norwegian sector is running at two weeks on, four weeks off and still having the same kind of productivity advantage over the UK continental shelf, that tells us something dramatic about both sectors. Rather than have me speculating about what might underlie that, I return to my call earlier for some robust research to be undertaken on the differences between the sectors—I think that is important to do that.

Chic Brodie (South Scotland) (SNP): Good morning. I have to say that after the question that Gordon MacDonald has just asked, I find it instructive that the oil price rose by nearly 6 per cent this morning just because of international events, which, of course, we cannot predict.

I have two questions, the first of which is on the local impact of industry downturn. What conversations have you had further downstream about the impact of oil production—and lack of it—on industries such as, say, the life sciences? We all know that there are environmental considerations in burning oil, petrol and diesel, and I am sure that those will be addressed over the next few years, but what conversations have you had downstream with manufacturers that use oil as a base product in their own products?

Stephen Boyd: We discuss the matter regularly with all the industrial sectors that we work with. Work that has been carried by the Office for National Statistics and others shows very clearly that the fall in the oil price has been of significant benefit to a number of industrial sectors, including those that use oil in their products. As we have tried to make clear in our written submission, the fall in the oil price has, at a global level, been a very significant stimulus to the economy; indeed, it is probably the one factor that stopped the eurozone falling into outright and significant deflation last year. It has been estimated that, if the price holds at about $50, it will probably add 1 per cent to the UK's gross domestic product over the next four or five years.

However, although the fall has been a significant stimulus, the same does not hold for Scotland, which is an oil-producing nation that is quite reliant on the North Sea. We have discussed this stuff in a very constructive way and in great detail with the Scottish Government economic team. Six months ago, it thought that the effect in Scotland would be roughly neutral, but it is now shifting more to our position that, as the data that we are seeing at the moment suggests, the effect will be negative.

Chic Brodie: My other question is about exploration. I am sorry to personalise this but, over the past three years, I have been doing an exercise on oil and gas in the Clyde and on the Atlantic margins. I know that the village of Portavadie was built for oil workers, that Ardrossan harbour was acquired and that key workers' houses were built in Alloway. More recently, we heard a prediction of half a billion barrels of oil just off Rathlin Island. I also know that a probe is going on into oil and gas in the Clyde and on the Atlantic margins, but nevertheless we are still focusing on the North Sea.

I understand the depression about what is happening in the North Sea, but what push have you as key players made to improve the exploration outcomes set out in Ian Wood's report? After all, we need to do these things now. If the price of a barrel of oil is going to go up to $80 by 2020, we need to be pushing as hard as we can, and I make no apology for being parochial with regard to what might have happened over the past 30 years had Mr Heseltine, in his wisdom, not stopped all drilling under production licence 262 for BP because of the nuclear submarines at Faslane. What can you do to encourage exploration in the areas that I have mentioned? We already have the Clair Ridge field just off Shetland, which is supposed to be the biggest oilfield ever, but how can we encourage more exploration? We might well find out in an hour and a half how we are going to finance and encourage that sort of activity but, as I have said, I make no apologies for personalising the issue of the Clyde and the Atlantic margins.

Jake Molloy: We have all recognised for a considerable time now that that is the new frontier. What we are doing is to ensure that we retain innovation, investment in skills and skilled and experienced people and that the Oil and Gas Authority that has been created drives that agenda. After all, the skills that have been honed in the North Sea can be utilised on that new frontier. We do not want it to be a frontier where we get social dumping and the exploitation of foreign nationals; we want to explore this country's resources for the benefit of the people in this country. That is always on the agenda, and it is part and parcel of what we are doing.

Chic Brodie: Of course, production costs in the Clyde would be a lot lower, because the activity would be nearer to the shore.

Jake Molloy: That is true for the stuff that is nearer to the shore, but because the stuff that is further out is in deep water, we will not be able to use infrastructure similar to that used in the North Sea. As a result, we will be looking at shipping and transferring, which is where diversification on the Clyde could be utilised quite significantly.

11:00

Tommy Campbell: A culture shift would have to happen. My understanding from Ian Wood's report is that, in simple terms, there needs to be greater co-operation, less competition and more planning. The benefit of that would be, as has just been said, that we would exploit resources for the greater good of everybody. We would welcome that. We have been along to the meetings and we support that approach. In a sense, we would have national planning and regional planning, which would bring together—this is the same point that Chic Brodie makes—not just the companies that are directly in oil and gas, but other companies that are the customers, basically.

We are producing a product that generates energy and goes right across our economy—it is not just buses, lorries and personal consumers that use oil; it goes into factories for all sorts of production as well. As a consequence of the money that is flowing, people are earning money. My point is that workers spend money; they do not hoard it. When they spend it, it goes back into the economy and we see things lifting up: we see not just the upturn coming within the oil industry but the waves of investment coming across the board. That is what we want to aim towards and that is what we want to see, when we say that we want everybody to pull together.

I say to Jake Molloy that I have been over to Norway. Many years ago when I worked in construction, I met a foreman who made a very simple statement. He said that a happy crew is a productive crew. I worked in his crew and I can tell you that he did not crack a whip or break our backs, and we were always ahead of schedule compared to other building squads that did have whip masters. That taught me a very simple lesson as a young man about how we measure productivity.

In the Norwegian sector there is a level of co-operation between the state, the trade unions and the employers. Those employers happen to be the same employers that work on this side of the North Sea, yet the Norwegian crews are—I use the word carefully—more content, because they have all that infrastructure, they have collective bargaining arrangements and they have good terms and conditions. There is not a race to the bottom, which would make that workforce discontented and unhappy, to the extent that they would become unproductive—an element of that is going on here.

We need to get the national oil companies to realise that the idea of keeping contractors and everybody else on their toes by having them fight one another in a race to the bottom is not a good business approach. That is why we believe that there should be state intervention put in place rules of engagement and to say, “This is what we expect of you.”

Joan McAlpine (South Scotland) (SNP): I return to volatility of price. Jake Molloy was around in 1997 and 1998 and saw the 40 per cent drop in oil price between those years. You must have seen quite an effect on Aberdeen and its economy, and there must have been real concern. What is the difference between then and now? How did the city get through that?

Jake Molloy: In 1986 and even in the mid-1990s, there were big falls. We had big oilfields, infrastructure that was fit for purpose and a great demand for oil, especially in the States. Today, as Stephen Boyd alluded to, America is self-sufficient—that market has gone; the Chinese and Indian economies have dropped off; and we have very small oilfields with very old infrastructure. That combination means that, although it was bad in 1986—I remember hotels being sold off and all the guest houses in Crown Street going—and in the mid-1990s, this time around, it is getting bad and the fear is that it will be bad for a lot longer, and, in some cases, possibly bad for ever.

The fear now is that if some of the big, older hub platforms, which lots of fields feed into, go down, huge areas will be wiped out. There is an atmosphere in the industry in Aberdeen that I have never encountered in 35 years; I have never seen anything like it in my history in the industry since 1980. That is why I am so concerned about every aspect of operation across the board.

Joan McAlpine: From the evidence that the witnesses have given, it seems that that nervousness is allowing big oil, if you like, and other companies to exploit people.

Jake Molloy: They are exploiting people; moreover, they are exploiting our natural resources. I take great pride in the fact that we were the pioneers and that the workers produced what we have in the North Sea. Big oil invested in us but, at the end of the day, it was the workforce who delivered. The natural resources are still there and are still being exploited, but the companies are trying to do it on the cheap and on the sly. The way that it is being done—the underhand approach and the lack of engagement—is creating a culture and an environment that, as I said, I have not seen since 1986. Along with another 7,000 people, I was woken up and told, “You’re doon the road.” When people went back, they kept their heads down and did not engage or get involved because the NRB—not required back—loomed large.

I do not think that we are at that stage now offshore, but that is environment that we are creating onshore. Every day, I represent workers who are going through consultations and challenging their selection for redundancy. That gives me a feel for the depth of people’s fear and concern for their future. As I said, the situation up there just now is appalling. I am glad that I am going on leave for a couple of weeks.

Joan McAlpine: Earlier this year, Royal Dutch Shell was talking about drilling in the Arctic—I ask Patrick Harvie to cover his ears at this point. I am not an engineer, but I would have thought that, technically, that is very challenging and requires a huge investment. How can that company talk about drilling in the Arctic and then give the general impression that exploiting the North Sea is not commercially viable?

Jake Molloy: You would have to ask Shell about that. I know that it has pulled the plug on that now, which means £4 billion down the drain, lots of fines and the company’s reputation tarnished to the point that I doubt that it will get back up to the Arctic again, given its record there. I do not understand the economics—I do not think that any worker does.

Joan McAlpine: Stephen Boyd mentioned diversification into offshore renewables. Obviously, investment in that sector has slowed down, and the messages coming from the UK Government have put off investors. Is there any hope there? Do you have any optimism about diversification into that sector?

Jake Molloy: I do not have any hope at the minute, because I do not see any investment or any interest in that agenda. To me, it is a no-brainer, but there does not seem to be any real drive up here. Down south, around the south coast and up the east coast, a lot of money is being spent on that, primarily by Dutch and Danish companies, so we are losing out on that as well. I am worried about the future if we do not grasp that opportunity. We need to exploit that opportunity, otherwise we will lose it.

Johann Lamont (Glasgow Pollok) (Lab): I am interested in the fact that, in effect, the unions are the hotline for people who are concerned. That makes perfect sense in an industry that is under pressure. Have you made representations directly to the Health and Safety Executive to ensure that it recognises the seriousness and scale of the problems that have been identified? It is not just about people who are not very happy about their work; as Jake Molloy suggested, it is about what might happen in future. If you have spoken to the Health and Safety Executive, what response have you had?

Tommy Campbell: We have raised it and will continue to do so. We are totally against a move to three-and-three rotas. The response we get from the employers is that there is no evidence to show that they are less safe; in fact, the employers gave us figures at the OCA meeting yesterday that showed that fewer accidents happen with three-and-three rotas. However, as we pointed out, there are fewer people involved in three-and-three rotas. We want them to speak to the offshore medics. We have been told anecdotally that the medics are being approached by workers who have never been to a medic before but who say that they are now doing so because they are feeling tired.

Let us look at it in simple terms. If management at the Scottish Ambulance Service or the Scottish Fire and Rescue Service said, “We’ve come up with the idea of having three-week rotas. We’re going to have firefighters, paramedics and police officers working 12-hour shifts 21 days in a row”, what would your reaction be? It is the same offshore. The employers think that, because it is acceptable to work 14 days on the trot, it is okay to do the extra seven.

It is not just the 21 days; offshore workers often cannot get off the platform, for instance because the choppers are not flying, and they have to stay on for a few extra days. They want to get home to their families. That issue is a serious concern that we are chipping away at.

The sadness for us is that the hard evidence will come only once there is a significant incident. Our greatest fear is fatigue. There were figures yesterday showing how many people were going to the medic for medication or for first aid because of an injury. We emphasise the impact on mental wellbeing and fatigue that people are experiencing, because that is the feedback that we are getting.

Another example is people who work 21 days on night shift. They might finish their night shift at 6 o’clock in the morning and be on first chopper off at 7. They may well live some distance from Aberdeen and will want to get home to their family. When they get back on to firm land, they may be tempted to drive home. We are saying to the employers that there need to be checks on that. They have a duty of care—they should take responsibility and say to the employee, “You’ll be staying in a hotel because we know that you’ve just finished work.” The employers say that if the employee wants a hotel, they just have to ask, but the employers need to be more proactive than that—they need to tell the employee that they must stay put. That is a serious concern.

Jake Molloy talked about the rotas that we would prefer. We have listened to workers who had the benefit of two weeks on and three weeks off. Our objective is that, when the upturn comes, people buy into a “two and three is better for me” roster. Three weeks on is far too long. Again, the industry is exploiting the fact that people are worried about jobs. That point was raised earlier. As Jake Molloy says, as union officers, every single day we deal with more and more redundancy notices. It has been like this for months. I used to be with the drilling side, and notices came in every day. I now deal with the offshore construction side and it is redundancies, redundancies, redundancies. It has not stopped. We thought, come summertime, it might start to slow up, but it has continued.

Johann Lamont: I was very struck by your comment that, if this were a car factory, the scale of the redundancies would cause alarm. I know anecdotally from my family in Lewis that island communities very often rely on the men going offshore to work, which allows their families to grow up on the islands. Some people might say that those are itinerant workers so they will get work somewhere else. Are you able to track the extent to which, when people become redundant, they get back into work?

Tommy Campbell: Again, I have an anecdotal story. A message came through yesterday and when I saw the email address I recognised that it was from Ireland. It was a fellow countryman, from Donegal in southern Ireland. He said that, luckily for him, he had just been on the phone to his brother in London who said, "If your job's finished at the end of the year, just give us a call. I can get you work." With social media and so on, workers in the industry can keep in touch with one another. Some will find that they are able to get into jobs onshore, although they have invested time offshore and got into a routine.

You make a good point that their earnings sustain the family unit, pay off the mortgage and give them a quality of life that they become accustomed to, even though they are away from home from time to time. I go back to a point I made earlier. When the earnings stop, social responsibility comes in.

If we imagine bringing all this together under one roof, it is equivalent to about 12 shipyards closing. If all the families lived in one town or city, it would be finished. However, they are dotted around all over the place. We are only becoming aware of the situation because we know people personally. Jake Molloy is right about that.

11:15

I have been in Aberdeen for 30 years. I was there in 1986. In fact, the project that I worked in was an unemployed workers centre. I witnessed the bust in 1986 and I saw its serious impact. I will always remember a guy who came in one day and said, "I've just been to the bank and I threw the keys across the counter at them. I'm away home to my mum and dad." He was a young person in the industry who had bought a massive house because he saw a future for himself, but he lost it overnight.

I remember onshore workers at, I think, Britoil turning up on a Monday morning to be met by security staff at the doors. They were marched to their desks, told to hand in keys for this and that, and then were taken off the premises straight away. We can imagine the humiliation of that. Now, as Jake Molloy said, we have a situation that just does not seem to be stopping. We cannot say to workers, "Well, the turnaround is going to come next year." I have been told that the drilling companies are looking to 2017. The earliest pencilled-in dates are round about Easter in that year—those are just the earliest possible dates; they are not definite.

Johann Lamont: I have a specific question. Are the unions involved in Oil & Gas UK's efficiency task force?

Jake Molloy: We were invited to participate in January. We asked whether it could ask its member companies to stop temporarily what they were doing by way of new rotas and cuts to terms and conditions, and we were told that it could not mandate its member companies. We were then forced to go back to our collective bargaining partners and try to negotiate with them. We have endeavoured to do that throughout the year, but without any real success. That is why we are in the situation that we are in now.

However, there is a chink of light. Recently, the STUC and the unions met Oil & Gas UK through the energy jobs task force, and it has agreed, through its ironically termed shared principles and values approach, to meet the trade unions to discuss our issues, so we are getting there.

To answer your question about health and safety, I note that we regularly meet the HSE and we meet the Oil and Gas Authority and the CAA, so we engage with all the regulators about health and safety.

Johann Lamont: I was interested in what you had to say about UK seafarers' numbers reducing and their being excluded from the North Sea because of loopholes in the legislation. What would need to change in the legislation in order to protect both safety and jobs in that sector?

Jake Molloy: Again, this is one of the frustrations. I have a letter in my pocket that I have been asked to give to every MP, although I am not going to do that because it is not worded as it should be. It talks about the fact that no one from the UK can go and work offshore in Australia, Canada, Brazil, the Gulf of Mexico, America or even some regions of Africa, because of the cabotage rules there, which dictate that employment must be drawn from the state and that only when there is a shortage of skills can workers be engaged from outwith the jurisdiction. That does not happen here. We have ships with British workers that sail to those areas and they have to come off those vessels and be replaced by nationals from those jurisdictions.

The only way that I see the demise of the British and EU seafarer being averted is through an EU caveat and an EU cabotage structure that restricts employment on vessels that service the exploitation of our natural resources to EU and UK seafarers who are paid at minimum wage—I would even accept that as a starting point.

Otherwise, although we are an island nation and an oil and gas producer, we will not have any British seafarers. That is a fact. Seafarers have taken a 25 per cent wage cut—they earn only

£23,000 a year. In the North Sea, they now work six days on, six days off to try to save their jobs and compete. It is not a good place to be.

Johann Lamont: Can the UK Government do something while the European Union works its way through the establishment of such a scheme? That may take a long time, so can anything be done immediately at UK level around employment legislation?

Jake Molloy: Extending the national minimum wage to seafarers or extending the tier 1 and tier 2 immigration provisions for work permits may facilitate things, or at least restrict the problem in some way. Without such steps, it is the end for British seafarers.

Patrick Harvie (Glasgow) (Green): Good morning. Decommissioning has been mentioned, but only slightly, so I want to explore the issue a little bit with the panel. I get the feeling sometimes that the Government is still a bit nervous about saying anything other than that decommissioning is a long-term opportunity. However, there is decommissioning work out there, and some of those who are bidding for that work in Scotland are worried that they will lose out and the work will go overseas, because we are not ready. That may be because of issues around skills or around infrastructure, some of which is publicly owned and has not been invested in.

Is there not a danger in the Government being a little bit too cautious to embrace the opportunities that come from decommissioning, because it is worried about sending a signal that the North Sea will shut down before it is ready? As happened with manufacturing, is there not a danger that someone else will get all the benefit—the high-quality jobs in the wind industry are an example of that—and that, while we carry on paying for the work in one way or another, we do not get that work in Scotland?

Jake Molloy: Absolutely.

Tommy Campbell: I could not agree more. On Aberdeen Harbour's developments at Cove Bay, the Government could be—and should be—in a position to do some decommissioning work. If there is work going, we should be trying to use the term "work" carefully and keep it in-house and on our own doorstep, because that would generate jobs. The infrastructure should be there to do that.

That takes me back to my earlier point about planning. It is also about saying again to the oil and gas industry, "Where are you going with that? We can do that work here. Why are you taking it elsewhere?" We should start pointing the finger at the sector and making it more accountable.

The question was asked about what a Government can do. This is your house, so you should say, "These are the rules. If you're going to operate within it, we're going to set the rules—we're going to say what is happening." There needs to be a wee bit more of that. The industry has it too easy—it seems to be dictating everything. It is about time that we turned that power relationship around. If we do that, we would at least move some way towards planning and fighting against the worst aspects of the industry. We must remember that, one day—beyond our lifetimes, probably—the oil and gas might not necessarily be there.

On the ideas that are in their infancy, we should be proud that we are still looking at them while we deal with the immediate situation. Our children and our children's children will maybe look back at history and say, "Away back in the early part of the 21st century, thank God that people had the foresight to see, 50 to 100 years down the line, what we were going to move towards."

We have an immediate responsibility to the people we represent, so we will proportionately concentrate most of our time on oil and gas. However, decommissioning will come. As you say, it has happened and it is happening, so why should that work not be done on our doorstep?

Patrick Harvie: You have just mentioned economic planning, which you mentioned in your opening remarks, too. I, too, take the view that economic and industrial planning must be part of how we manage change. Whether you take the view that that transition has to happen now, or whether you take Fergus Ewing's view that there will be another 40 years of oil and gas extraction before that has to happen, the change must happen. If we do not want people who are dependent on the industry to be left on the scrap heap when the change comes, we need to plan for it. Are you at least open to the possibility that that transition is happening now and is not something for the long term?

Let me cite someone:

> "Take, for example, the IPCC's estimate of a carbon budget that would likely limit global temperature rises to 2 degrees above pre-industrial levels"—

the target that the world is trying to move towards—

> "That budget amounts to between 1/5th and 1/3rd world's proven reserves of oil, gas and coal.
>
> If that estimate is even approximately correct it would render the vast majority of reserves 'stranded'—oil, gas and coal that will be literally unburnable without ... carbon capture technology".

We do not have that carbon capture technology and, in any case, it would not apply to transport fuels.

That was not an environmental activist speaking; it was the governor of the Bank of England, Mark Carney, speaking to a finance industry audience. He went on to prefigure the possibility that any remotely credible climate change deal will result in a flight of investment from fossil fuels. Is it not a serious danger that, if we do not begin to invest in that transition now, we will see in the coming years a continuation of the situation that has begun in the north-east? We need to begin that transition now and ensure that we invest in the jobs that will last not just for a few years or decades, but for the long term.

Jake Molloy: I completely agree. We have to do it now. As I said, there are aspects of what is going on in other industries, such as the steel industry and the debate around Trident and others, that dictate that we should be making that transition.

We were leaders in carbon capture and storage and, while there is still the possibility of it happening, we should be investing in that and delivering it. That is another role for the OGA to exploit.

Patrick Harvie: Stephen Boyd might want to comment on this. Do you see any sign that the Scottish Government's economic strategy is placing its approach to the oil and gas industry in that context? I do not.

Stephen Boyd: The Scottish Government has been very active through the energy jobs task force and driving a lot of helpful activity in the north-east, but it has not really grasped the changing economics of the sector and what that means for Scotland.

I was extremely interested when the Council of Economic Advisers said quite bluntly at the committee that it had not even considered the changes in the North Sea during the past year and what they would mean for Scotland. I found that quite remarkable.

Patrick Harvie: That is particularly curious given that Professor Muscatelli is the leader of an institution that is the first university in Europe to begin a fossil fuel divestment programme.

Stephen Boyd: Yes. Like Tommy Campbell, I agree with much of what you say. Even if we took climate change right out of the equation and focused on the change in the economics of the oil industry that I discussed earlier, you would still have to shift towards looking at the transition happening much earlier than was previously anticipated.

This morning, I read a statistic from BP research that, by 2035, the EU will be using the same amount of oil as it was using in the 1960s, even though the GDP will have quadrupled in that time. That is mind-boggling. The UK and the US reached peak oil usage more than a decade ago and it has been on a downward trend ever since. All those things taken together with the change in economics suggest that we have to be planning for the North Sea to have a shorter lifespan than previously thought.

The problem is that the debate on economic policy is so polarised that any talk of economic planning is immediately pigeonholed as central planning. We are actually talking about the Government and private sector trying to manage a transition process more sensibly than would otherwise be the case to maximise economic, environmental and social benefits for the country as a whole. If we took that as our starting point, we would take a different approach from the industry.

Patrick Harvie: Thank you.

Richard Lyle (Central Scotland) (SNP): Most of the questions that I was going to ask have been asked and answered. As Jake Molloy said, Britain has been a seafaring nation for hundreds of years but the British merchant navy is sadly on a downturn. I agree with what you say on that.

With the greatest respect to Mr Campbell, oil and gas are in the UK Government's house—they are not in our house. The OGA was established in April by the Department for Energy and Climate Change. Has it worked? What is its involvement?

I wish you well with all the negotiations. I agree with all the points that you have made.

11:30

Tommy Campbell: Just to clarify, I did not say that it was a Scottish house; I used the term "your house". In previous interviews that I have given, I have pointed out that it is the UK continental shelf. My point is that, when you own a house and you have somebody coming in to do something in it, you can decide the rules.

Stephen Boyd: Jake Molloy will have something to add, but it is too early to say whether the OGA has worked. That would be unfair given the scale of the task before it and the time that it has had.

We had a constructive meeting with the OGA a matter of weeks ago. I was impressed by the chief executive, who I believe is coming to the committee next week. The OGA has a huge task and the early signs are promising but, as ever, the proof of the pudding will be in the eating. It has made a decent start.

We got the sense that the OGA understands the nature and scale of the challenges that lie before it, and it understands that the process has to be collaborative. It also seems to value the trade union voice as part of it all, but we will have to see how things pan out over the next few years.

Jake Molloy: The OGA's publication has a great title—"Call to Action". I love that title. It rings true with me.

As Stephen Boyd said, it is too early to judge. The big question that I posed to Sir Ian Wood when he briefed us on his report before the OGA was established was about the regulatory leverage and where it is. I still do not understand it. If we have poor performers and poor operators who refuse to collaborate, and will not invest in or maintain the infrastructure, Sir Ian Wood said that they could see their licences being revoked.

If we set standards and expect operators to meet those standards, and they do not meet them, what do we do? Sir Ian Wood suggested that we should just get another operator in. I asked him what would happen if we could not do that. What is plan B? What are we going to do with the infrastructure? Nobody has answered that question yet. I suggested to Sir Ian that perhaps we could go back to the good old pre-Mrs Thatcher days and have a UK Oil plc or Britoil type of approach. He laughed at that and said that it would never happen. The way that things are going right now, we will reach that point at some stage and the decision will have to be taken about what we do with those operators.

The Convener: Thank you. We have gone a little bit over time but that demonstrates the breadth of the topic and the questions that members wanted to ask. I thank you all for coming and giving of your time. It has been useful to the committee.

11:32

Meeting continued in private until 12:27.

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